

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
Mar 31, 2019
2. SEC Identification Number
15393
3. BIR Tax Identification No.
000-463-069-000
4. Exact name of issuer as specified in its charter
HOUSE OF INVESTMENTS, INC.
5. Province, country or other jurisdiction of incorporation or organization
Manila, Philippines
6. Industry Classification Code(SEC Use Only)
7. Address of principal office
3rd Flr., Grepalife Bldg, 219 Sen. Gil Puyat Avenue, Makati City
Postal Code
1200
8. Issuer's telephone number, including area code
(632) 815-9636
9. Former name or former address, and former fiscal year, if changed since last report
NA
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	615,996,114
Preferred Shares	618,535,387
Amount of Debt Outstanding	22,383,430,323

11. Are any or all of registrant's securities listed on a Stock Exchange?
Yes No
If yes, state the name of such stock exchange and the classes of securities listed therein:
Philippine Stock Exchange - Common
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days

Yes No

The Exchange does not warrant and holds no responsibility for the veracity of the facts and representations contained in all corporate disclosures, including financial reports. All data contained herein are prepared and submitted by the disclosing party to the Exchange, and are disseminated solely for purposes of information. Any questions on the data contained herein should be addressed directly to the Corporate Information Officer of the disclosing party.



House of Investments, Inc.

HI

PSE Disclosure Form 17-2 - Quarterly Report
References: SRC Rule 17 and
Sections 17.2 and 17.8 of the Revised Disclosure Rules

For the period ended	Mar 31, 2019
Currency (indicate units, if applicable)	PHP

Balance Sheet

	Period Ended	Fiscal Year Ended (Audited)
	Mar 31, 2019	Dec 31, 2018
Current Assets	17,063,245,744	16,091,229,928
Total Assets	41,083,294,166	39,601,083,082
Current Liabilities	19,460,925,650	18,580,502,479
Total Liabilities	22,383,430,323	21,429,293,847
Retained Earnings/(Deficit)	9,559,556,635	9,198,512,458
Stockholders' Equity	18,699,863,843	18,171,789,235
Stockholders' Equity - Parent	12,788,697,988	12,426,253,040

Book Value per Share	29.96	29.06
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Income Statement

	Current Year (3 Months)	Previous Year (3 Months)	Current Year-To-Date	Previous Year-To-Date
Gross Revenue	7,999,769,006	6,905,029,734	7,999,769,006	6,905,029,734
Gross Expense	6,764,134,221	5,980,324,733	6,764,134,221	5,980,324,733
Non-Operating Income	226,406,275	305,865,818	226,406,275	305,865,818
Non-Operating Expense	759,292,368	643,112,230	759,292,368	643,112,230
Income/(Loss) Before Tax	702,748,692	587,458,589	702,748,692	587,458,589
Income Tax Expense	132,316,089	95,503,265	132,316,089	95,503,265
Net Income/(Loss) After Tax	570,432,603	491,955,324	570,432,603	491,955,324
Net Income Attributable to Parent Equity Holder	391,123,303	324,474,680	391,123,303	324,474,680
Earnings/(Loss) Per Share (Basic)	0.63	0.53	0.63	0.53
Earnings/(Loss) Per Share (Diluted)	0.5	0.41	0.5	0.41

	Current Year (Trailing 12 months)	Previous Year (Trailing 12 months)
Earnings/(Loss) Per Share (Basic)	1.49	1.4
Earnings/(Loss) Per Share (Diluted)	1.17	1.1

Other Relevant Information

Please see attached file.

Filed on behalf by:

Name	Ma. Teresa Bautista
Designation	Controller

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

H	O	U	S	E		O	F		I	N	V	E	S	T	M	E	N	T	S	,		I	N	C	.		A	N	D
		S	U	B	S	I	D	I	A	R	I	E	S																

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

3	r	d		F	l	o	o	r	,		G	r	e	p	a	l	i	f	e		B	u	i	l	d	i	n	g	,
2	1	9		S	e	n	.		G	i	l		J	.		P	u	y	a	t		A	v	e	n	u	e	,	
		M	a	k	a	t	i		C	I	t	y	,		M	e	t	r	o		M	a	n	i	l	a			

Form Type

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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

N	/	A	
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COMPANY INFORMATION

Company's Email Address

[N/A](#)

Company's Telephone Number

815-9636 to 38

Mobile Number

N/A

No. of Stockholders

383

Annual Meeting (Month / Day)

July 19

Fiscal Year (Month / Day)

March 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Maria Teresa T. Bautista

Email Address

mtbautista@hoi.com.ph

Telephone Number/s

815-9636

Mobile Number

N/A

CONTACT PERSON'S ADDRESS

3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17 – Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION
CODE
AND SRC RULE 17(2)-(B) THEREUNDER

1. For the quarterly period ended March 31, 2019
2. SEC Identification Number 15393
3. BIR Tax Identification No. 000-463-069
4. Exact name of registrant as specified in its charter: HOUSE OF INVESTMENTS, INC.
5. Makati City, Philippines
Province, Country or other jurisdiction
of incorporation or organization
6. / / (SEC Use Only)
Industry Classification Code:
7. 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City 1200
Address of principal office Postal Code
- +63 (2) 8940320; +63 (2) 8134537
Issuer's telephone number, including area code
9. Not Applicable
Former name, or former address, if changed.
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Section 4 and 8

<u>Title of Each Class</u>	<u>Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding</u>
Common Stock, P1.50 par value	615,996,114 shares of common stock
Preferred Stock, P0.40 par value	618,535,387 shares of preferred stock

Amount of debt as of March 31, 2019 P22.38 Billion

11. Are any or all of these securities listed on the Stock Exchange.

Yes (X) No ()

Only the common stock is listed in the Philippine Stock Exchange

12. Check whether the registrant:

- (a) has filled all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):

Yes (X) No ()

- (b) has been subject to such filing requirements for the past 90 days.

Yes (X) No ()

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The interim consolidated financial statements of House of Investments, Inc. and Subsidiaries as of March 31, 2019 with comparative figures for the periods ended December 31, 2018 and March 31, 2018 and Schedule of Aging of Accounts Receivable are incorporated by reference as **Exhibit 1**.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

Are there any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.	None
Does the registrant currently has, or anticipates having within the next twelve (12) months, any cash flow or liquidity problems?	No
Is the registrant in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments?	No
Has there been a significant amount of the registrant's trade payables have not been paid within the stated trade terms?	None
Describe internal and external sources of liquidity, and briefly discuss any sources of liquid assets used.	The Company depends on cash flow from operations and dividends for liquidity.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;

None

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

None

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described;

•EEI Corp., a major subsidiary under the HI Group, continues to have a strong construction pipeline domestically. Major additions to its project pipeline will require additional investments in new capital equipment in order for EEI to deliver its projects to its customers. EEI expects to be able to pay for its capital equipment acquisitions through a combination of internally generated funds and new borrowings.

• iPeople, inc.'s subsidiary Malayan Education System, Inc. (MESI) (Operating under the name of Mapua University) is constructing a new campus on a 0.5-hectare property in Makati. Completion of the construction is expected in time for the Academic Year 2020-2021. The total project is estimated at around P2.5 billion and will be funded partially by debt. Except for the construction of new campus of MESI and the expansion of EEI's production, there is no material commitment on capital expenditures other than those performed in ordinary course of trade of business.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described. If the registrant knows of events that will cause material change in the relationship between costs and revenues (such as known future increases in cost of labor or materials or price increases or inventory adjustments), the change in the relationship shall be disclosed.

- For iPeople Inc., there are two factors that are expected to affect the enrolment, profitability and cash flows of iPeople, inc. and its subsidiary schools:
 - (1) The continuing effects of the K+12 transition will still be felt until normalization of enrolment is achieved in AY 2021-22.
 - (2) Universal Access to Quality Tertiary Education Act (RA10931) had its first-time implementation in the AY 2018-19. There was a decline in college freshman intake in private schools as a result. A large portion of the incoming freshman had applied with SUC/LUCs to avail of the free education under the Act.
- The car dealerships benefit from new product and new variant introductions by Honda and Isuzu. During such periods, Honda and Isuzu unit sales are expected to increase significantly.

Other than the two listed above, there is no known trend, event or uncertainty that are expected to have a material impact on net sales or revenues or income of the group from continuing operations.

(vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations;

None

(vii) The causes for any material change from period to period which shall include vertical and horizontal analyses of any material item; The term "material" in this section shall refer to changes or items amounting to five percent (5%) of the relevant accounts or such lower amount, which the registrant deems material on the basis of other factors.

Income Statement Variances

As of the period ended 31 March 2019, the Group posted a consolidated net income after tax of P570.43 million compared to 491.96 million against last year. Net income attributable to Parent company is P391.12 million.

Total consolidated revenues is at P8.0 billion, higher compared to P6.91 billion of last year, primarily due to higher revenues generated both by construction and education segments. Revenues from services, which pertain primarily from the construction segment, increased by 28% compared to last year as a result of higher construction activities of on-going domestic projects of EEI. Sales of goods decreased from P1.94 billion last year to P1.71 billion this year primarily because of lower number of vehicle units

sold by car dealerships. Revenues from school operations went up from P470.20 million to P538.75 million this quarter due to higher number of students attributable to start of commercial operations of Mindanao Campus last July 2018.

Cost of sales and services is higher primarily because of (a) increase in on-going production of major domestic projects of EEI, and (b) higher costs of schools due to additional costs incurred related to the start of school operations of MCM last July 2018, tempered by lower cost of goods sold of the car dealerships.

Consolidated general and administrative expenses increased by 2%, from P560.97 million to P570.50 million this quarter. Increase is primarily attributable to the following: (a) taxes, due to DST on new loans obtained by EEI; (b) depreciation, relative to the newly constructed school building in Mindanao; (c) advertising and promotions, as the Group, particularly the car dealerships and schools, intensify its advertising campaign; and (d) repairs and maintenance, which includes subscription to a Cloud-based accounting system.

Other income is lower because last year the difference in foreign exchange registered a gain compared to this period which registered a loss.

Equity in net earnings of associates is at P187.87 million compared to P215.29 million of same period last year. It is lower this year primarily due to lower intake from ARCC, a foreign affiliate of EEI.

Interest and finance charges are higher as of the period, from P82.14 million to P188.79 million, due to new loan availments of the Group to finance its existing projects and the developments costs of MCM.

Balance Sheet Variances

Total consolidated assets of the Group stood at P41.08 billion as of the period ending March 2019 against P39.60 billion of the year ended December 2018.

Total current assets increased from P16.09 billion to P17.06 billion, primarily attributable to improved revenue stream of EEI which resulted to (a) increase in trade and retention receivables, (b) increase in advances to suppliers and subcontractors, and (c) additional input taxes and prepaid taxes.

Receivable from related parties is reduced to P71.88 million, as ARCC paid EEI.

Total noncurrent assets increased from P23.51 billion to P24.02 billion.

Investments in associates and joint ventures increased from P5.51 billion to P5.70 billion primarily due to additional shares of stock of La Funeraria Paz Sucat Inc. acquired by the Parent Company.

Retirement asset dropped due to net effect of contributions and expense recognized by the Group as of the period.

Reduction in deferred tax assets pertains to the tax effect on unrealized foreign exchange gain last year which was realized this year.

Other noncurrent asset increased significantly due to the impact of adoption of PFRS 16, Leases, which requires recognition of Right-of-Use asset amounting to P555.23 million. This amount was softened by

the reclassification of retention receivable amounting to P205.90 million, from non-current to current asset.

Total consolidated liabilities increased to P22.38 billion as of Q1 2019 from P21.43 billion as of December 2018.

Total current liabilities grew from P18.58 billion to P19.46 billion due to additional borrowings of the Group to (a) finance the new major domestic projects of EEI and the on-going construction of a new school building in P. Ocampo property, and (b) settle the outstanding development costs of the new campus in Mindanao.

Income tax payable includes the balance in December 2018, which was settled in April 2019. Whereas, the income tax for the quarter is due in May 2019.

Contract liabilities pertain to unearned tuition fees, which is reduced as the corresponding revenue is recognized during the school term.

Total noncurrent liabilities increased from P2.85 billion to P2.92 billion as of March 2019.

Long-term debt is reduced to P1.48 billion, as the Group regularly pays its maturing obligations.

Other noncurrent liabilities increased significantly due to the impact of PFRS 16, which requires recognition of liability for the remaining lease term. As of the quarter, the total lease liability recognized is P622.79 million.

Total consolidated equity rose from P18.17 billion to P18.70 billion while total consolidated retained earnings increased from P9.20 billion to P9.56 billion.

(viii) Any seasonal aspects that had a material effect on the financial condition or results of operations.

Every summer term, the school operations undergo a material change. For the purposes of this discussion, the summer term occurs in the three months from June to late July of every year.

During the summer term, student enrolment drops by over 50 percent because majority of matriculating students go on break. Therefore there is a seasonal shift in revenues as enrolment drops in the summer term. Despite the drop in enrolment during the summer, the schools continue to carry the same periodic fixed costs over a lower revenue base. Therefore the schools realize much lower net profits during the summer months.

Financial Soundness Indicators

The company's top 11 key performance indicators as of the end of March 31, 2019 compared to March 31, 2018 and to December 31, 2018 are as follows:

Financial ratios		Unaudited 31-Mar-19	Unaudited 31-Mar-18	Audited 31-Dec-18
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	0.88:1	0.97:1	0.87:1
Indicates the Group's ability to pay short-term obligation				
Solvency Ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	0.03:1	0.04:1	0.11:1
Shows how likely a company will be to continue meeting its debt obligations				
Debt-to-equity ratio	$\frac{\text{Total Debt}}{\text{Equity}}$	1.20:1	1.21:1	1.18:1
Measures the Group's leverage				
Asset to Equity Ratio	$\frac{\text{Total Assets}}{\text{Equity}}$	2.20:1	2.21:1	2.18:1
Shows how the company's leverage (debt) was used to finance the firm				
Interest Rate Coverage	$\frac{\text{EBIT}}{\text{Interest Expense}}$	4.72:1	8.15:1	7.73:1
Shows how easily a company can pay interest on outstanding debt				
Return on Average Stockholders' Equity	$\frac{\text{Net Income}}{\text{Average Equity}}$	3.09%	2.96%	8.93%
Reflects how much the Group's has earned on the funds invested by the stockholders				
Return on Assets	$\frac{\text{Net Income}}{\text{Total Assets}}$	1.41%	1.32%	3.99%
Measure the ability to utilize the Group's assets to create profits				
Net Profit Margin	$\frac{\text{Net Income}}{\text{Total Revenues}}$	7%	7%	5%
Shows how much profit is made for every peso of revenue				
Asset Turnover	$\frac{\text{Total Revenues}}{\text{Total Assets}}$	0.19	0.18	0.70
Shows efficiency of asset used in Operations				

Return on Equity	$\frac{\text{Net Income/Total Revenues} \times \text{Total Revenues}}{\text{Total Assets} \times \text{Total Assets} / \text{Total Equity}}$	3.0%	3.0%	8.0%
Shows how much the business returns to the stockholders for every peso of equity capital invested				

- Current ratio is at 0.88 as of the period ended March 2019 compared with 0.97 as of March 2018. This is attributable to higher dependency of the Group to external debt to finance its project and development costs.
- Solvency ratio at 0.03 lower compared to 0.04 as of March 2018 due to additional loan availed by the Group compared last year.
- Debt-to-equity ratio decreased from 1.21 in March 2018 to 1.20 as of March 2019 because of higher level of borrowings this quarter.
- Asset to equity ratio slightly went down from 2.21 in March 2018 to 2.20 this quarter due to increased level of loans against same period of last year.
- Interest rate coverage ratio is lower at 4.72 times compared to 8.15 as of March 2018 due to higher interest expense as a result of higher loan level and higher interest rates.
- Return on equity is at 3.09% against 2.96% as of March 2018. This is due to lower average equity posted by the Group against same period of last year. Last March 2018 equity did not yet include the effect of PFRS 9 adoption.
- Return on assets (ROA) increase from 1.32% last March 2018 to 1.41% this year. This is attributable to higher net income registered by the Group.
- Net profit margin is same with last year at 7%.
- Asset turnover is 0.19 times compared to 0.18 times as of March 2018 because of higher revenues posted by the construction and education segment.
- Return on average stockholders' equity is at 3%.

The above-mentioned ratios are applicable to the Group (Parent Company and its majority owned subsidiaries) as a whole.

PART II – OTHER INFORMATION

Item 3: 1Q 2019 DEVELOPMENTS

Significant developments during the first quarter of 2019 were briefly discussed in Item II: *Management Discussion and Analysis of Financial Condition and Results of Operations*.

Item 4: OTHER NOTES TO FINANCIAL STATEMENTS

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

THE HOLDING COMPANY

The executive management takes an active role in the management of the core businesses. In addition, the executive management monitors the business performance of these companies portfolio very closely. Through regular review of actual results compared to budgets and previous year performance, House of Investments is able to determine if the group is able to perform as expected.

In particular, management watches operating metrics very closely and how these impact the financial metrics. By monitoring operating metrics and financial metrics, executive management can always determine whether the capital deployed to various businesses within the portfolio is being used efficiently, and generating returns that meet hurdle rates.

Executive management also engages in a continuous business development program. These business development activities range from identifying growth opportunities in existing businesses; helping develop new products and services that increase organic growth; or buying entire companies or controlling stakes in companies which show high growth potential and the returns of which meet hurdle rates.

Risks at the Holding Company Level

The following covers the risk management policies at the holding company level. *For a discussion of risks faced by each portfolio company, please refer to the appropriate section in this report.*

a. Interest Rate Risk

The Company is exposed to interest rate risk because it has borrowings from local banks. It is a company policy to use excess liquidity to pay down borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. HI does not speculate on the direction of interest rates. The main objective is to lower financing costs as much as possible.

b. Foreign Exchange Risk

The Company's exposure to foreign exchange risk is minimal. The company has excess funds denominated in U.S. dollars. Where possible and when warranted, it is the company practice to pay dollar liabilities with its excess dollar funds. The company does not speculate on the direction of foreign exchange rates.

c. Liquidity Risk

The Company seeks to manage its liquidity to be able to service maturing debts, finance capital requirements, and pay for existing operations. House of Investments maintains a consistent level of funding to be able to pay for its day-to-day operations. The Company constantly monitors its projected cash flows. Close attention is paid to asset liability management.

d. Credit Risk

The Company's holding of cash and short-term securities exposes the company to the credit risk of the counterparty. Given House of Investments's diverse body of counterparties, it does not have a concentrated credit risk exposure.

e. Price Risk

Available for sale (AFS) financial instruments are held and are subject to price fluctuation. These securities are vulnerable to price risk due to changes in market values because of specific factors related to these securities, or because of factors related to the overall market for financial assets. These prices change depending on how market participants act in the market.

The Company has non-core holdings in its AFS investments. For its non-core holdings, the Company's investment policy is to monitor developments in the market and to monitor these securities very closely. The Company regularly assesses the opportunity cost of holding these securities. When a more appropriate use of the funds is determined, it is the Company's intention to liquefy these investments and put the excess cash to work.

f. Business Continuity Risk

The Company is acutely conscious of the risks posed by natural disasters, acts of God, or other man-made actions that can have an adverse impact on the continuity of regular operations. The Company's Board through its Risk Oversight Committee and the management team ensures that the business continuity plans of each operating subsidiary is in place and is up to date.

g. Competition

The company is subject to competition in the segments in which each of its core business units operates. *Please refer to the related section of each core business unit on the risks each group faces.*

h. Succession Risk

The Company knows that people are an important resource and that its executive management team is a significant contributor to the continuing growth of House of Investments' investment portfolio. In order to preserve the management chain of succession and institutional knowledge that comes with it, the executive management works with the executives of the operating subsidiaries to ensure continuous training and career development are in place.

The Risk Management Committee of the Board meets regularly and exercises an oversight role on executive management who are accountable for managing the risks that arise out of regular business operations

Risk Factors at the Car Dealerships

a. Macro-economic conditions

The Car Divisions' performance is impacted by general economic conditions overall, and in particular, by economic conditions in the markets in which we operate. These economic conditions include: levels of new and used vehicle sales; availability of consumer credit; changes in consumer demand; consumer confidence levels; fuel prices; personal discretionary spending levels; interest rates; and unemployment rates.

b. Operational Risks

- Franchise Agreements with Honda and Isuzu. Our dealerships operate under a franchise agreement with Honda and with Isuzu, which authorizes our dealerships to sell new vehicles of the brands we carry or perform manufacturer authorized warranty service. These agreements govern almost every aspect of the operation of our dealerships, and give manufacturers the discretion to terminate or not renew our franchise agreements for a variety of reasons.

- Information Technology

Our information systems are fully integrated into our operations. If these systems go down, our business could be significantly disrupted. In addition, to the extent our systems are subject to intentional attacks or unintentional events that allow unauthorized access that disrupts our systems, our business could be significantly disrupted.

- Property loss, business interruption or other liabilities

Our operations can be hampered by property losses due to fire, adverse weather conditions, and militant activities e.g. rallies and strikes, among others. In addition, our business is subject to substantial risk of loss resulting from: the significant concentration of property values, including vehicle and parts inventories, at our operating locations; claims by employees, customers, and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements.

We have insurance cover for many of the named risks above, except those that maybe due to regulatory or political risks. In addition, the Group has business continuity programs in place.

c. Market Risk

- Overall success of the automotive industry and in particular on the success of Honda and Isuzu

Significant adverse events that interrupt vehicle or parts supply to our dealerships, would likely have a significant and adverse impact on the industry as a whole, including us, particularly if the events relate to any of the manufacturers whose franchises generate a significant percentage of our revenue.

- Competition

We generally compete with: other franchised automotive dealerships in our markets; private market buyers and sellers of used vehicles; local service and repair shops and parts retailers; and automotive manufacturers (those that own their own dealerships).

Buying decisions by consumers when shopping for a vehicle are extremely price sensitive. The level of competition in the market can lead to lower selling prices and related profits.

d. Availability of financing and interest rate sensitivity

- To the Company

The operations relies heavily on loans to fund its working capital and cash flow. The car divisions access credit through the lines available to the head office, i.e. House of Investments, Inc. while Honda Cars Kalookan, Inc. has its own lines with Banks.

A sustained or significant decrease in our operating cash flows could lead to an inability to meet our debt service requirements.

The interest rates we are charged on a substantial portion of our debt are variable, increasing or decreasing based on changes in certain published interest rates. Increases to

such interest rates would likely result in significantly higher interest expense for us, which would negatively affect our operating results.

- To our clients

A significant portion of vehicle sales in the Philippines is funded through bank financing. Availability of credit to vehicle buyers and increased interest rates may also decrease vehicle sales, which would negatively affect our operating results.

- e. Regulatory issues

We are subject to a wide variety of regulatory activities, including: government regulations, claims and legal proceedings. Government regulations affect almost every aspect of our business, including taxation, and the treatment of our employees.

- Tax Reform for Acceleration and Inclusion (“TRAIN”). In particular, the implementation of the TRAIN saw an increase in the Excise Taxes on vehicles sold effective January 2018, which may result in a decline in sales of some models. The probability of a second phase of increases is anticipated with the proposed TRAIN 2 that is currently being deliberated by lawmakers. An even more restrictive fiscal policy would further reduce the demand for brand new vehicles leading to lower revenues by the car dealerships.
- Data Privacy Act. The recently passed Data Privacy Law requires that personal and sensitive information of EEI’s stakeholders held by the company be taken care of with utmost privacy. A breach of this requirement would mean stiff penalty and also possibly result to costly lawsuits that may tarnish our reputation. A committee has already been formed to spearhead the awareness for this requirement and implementation of necessary policies that protect personal data.

In the event of regulation restricting our ability to generate revenue from arranging financing for our customers, we could be adversely affected. We could also be susceptible to claims or related actions if we fail to operate our business in accordance with applicable laws. Claims arising out of actual or alleged violations of law which may be asserted against our dealers by individuals, through class actions, or by governmental entities in civil or criminal investigations and proceedings, may expose us to substantial monetary damages which may adversely affect us.

- f. Environmental regulations

We are subject to a wide range of environmental laws and regulations, including those governing: discharges into the air and water; the operation and removal of storage tanks; and the use, storage and disposal of hazardous substances.

In the normal course of our operations we use, generate and dispose of materials covered by these laws and regulations. We face potentially significant costs relating to claims, penalties and remediation efforts in the event of non-compliance with existing and future laws and regulations.

Risk Factors at the Construction Sector

The risk management function is an important aspect of corporate governance. EEI has a Risk Management Program which has been in place since 2009. A Risk Management Council composed of the President and CEO, the Chief Risk Officer and key department heads meet regularly to discuss the new and emerging risks brought about by the peculiarities of new projects, changes in the market place, economic shifts, political upheavals, disasters, unusual events and probable impending events which had been identified in the various areas of company’s business activities. The Risk Management Council is responsible for providing timely, relevant and comprehensive risk information to the Board through the Board Risk Oversight Committee, which is composed, of five directors.

The company is expecting the following major risks and opportunities (in no particular order) to factor into its business and is doing the corresponding actions to properly address them:

a. Geopolitical risk and opportunities

- **Philippine Infrastructure Boom.** As the government continues to change the political and economic situation in the country including EEI's relationships with other nations, the effects of which to the construction markets where EEI has interests is of particular interest:
 - The "Build, build, build" initiative of the government is expected to provide a sizable opportunity for players in the construction industry but the funding for such and fairness of the government in awarding contracts are important factors
 - The government has signed 29 bilateral agreements during the Chinese President's visit in November 2018 highlighting the growing relationship between the two countries. These agreements follow the signing of 13 cooperation agreements and securing financial assistance and investment pledges worth USD 24 billion during President Duterte's visit to China in October 2016. There are concerns about onerous contracts from other countries which were granted ODA by China.
 - Japan remains the top ODA provider with almost USD 6 billion or 40% of the total ODA received by the Philippines

To mitigate this risk, EEI has made alliances with foreign EPCs in its pursuit for more infrastructure projects. EEI is also establishing working relationships with known local developers that will most likely be awarded government projects. Due diligence on Chinese investors is also being done prior to entering into any partnership. Contracts related to such partnership are being thoroughly reviewed to ensure its fairness.

- **Global Economic Slowdown and Global Trade War.** The global growth forecast for 2019 and 2020 had already been revised downward in the last World Economic Outlook of the IMF, partly because of the negative effects of tariff increases enacted in the United States and China.

Risks to global growth tilt to the downside. Financial conditions have already tightened. A range of triggers beyond escalating trade tensions could spark a further deterioration in risk sentiment with adverse growth implications, especially given the high levels of public and private debt. These potential triggers include a "no-deal" withdrawal of the United Kingdom from the European Union and a greater-than-envisaged slowdown in China. To mitigate this risk, EEI monitors steel prices for opportunistic medium-term supply contract. EEI also initiates capital increase before liquidity squeeze.

Effects of charter change. A shift to federalism may face a protracted process, weak government absorption, and ineffective consolidation of federal regions. Weak federal regions may transfer costs to Filipino public, impose financial burdens on businesses, and face grim prospects of financial bailouts. With increase cost of bureaucracy, funds initially intended for the infrastructure projects can be diverted. To mitigate this risk, EEI is focusing on ODA financed projects to assure funding to project completion.

Boom and Bust of Cycle of the Construction Business. The current main source of revenue of the company is in the construction business in the Philippines (mainly in infrastructure) and in Saudi Arabia (mainly electro mechanical projects in the oil and gas industry). The company's financial performance can easily be affected by the changes in the business climate in these countries. To mitigate this risk, EEI is looking to diversify, not only in non-construction business but also geographically, which will generate recurring revenue stream for the company

b. Saudi country risk

A relatively sizable operation of the Company is situated in the Kingdom of Saudi Arabia and the uncertainties in that area is of some concern. The prevailing low oil prices, the political instability and regional security threats (Iran, Syria and Yemen) continue to be a factor that affects the operations there. The Khashoggi incident will isolate the Kingdom from international investors (mainly US and Europe) and may be subject to BDS (Boycott, Divestment and Sanction) similar to Israel due to human rights violation. FDI to finance the Neom project of the Saudi Crown Prince is at risk.

On the other hand, emerging opportunities exist with the new Crown Prince's Vision 2030 initiatives, Saudi Aramco's IPO and alliance with Russia and China, which will not only stabilize the oil price but also create new economic activities. To mitigate this risk, EEI continues to focus on sustainable operations and maintenance and manpower supply contracts where margins are higher and risks are limited. EEI is also diversifying into infrastructure business.

c. Business concentration risk

As much as EEI values its current roster of regular clients, it is always better to create a wider client base. Doing this will not only expand the opportunities open to the company but also make the company more resilient to any fluctuations in the business of our clients.

EEI was able to establish new clients but at the same time recognize that expanding the client base has its limits. It is the reality of the Philippine business environment that investors are not that many. So EEI will expand its client base as much as possible but will give equal emphasis on the "quality" of the clients that EEI caters to – clients that have a track record of being fair and with sound financial standing are preferred. EEI also identified ways to expand our contracting capacity to be able to increase its government contracts portfolio when there are favorable opportunities to do so and also possibly serve as a balancing force to EEI's non-government contracts portfolio.

d. Credit risk

It is typical in the industry, here and abroad, that executing a construction project involves a certain amount of credit between us (the contractor) and the client. Though the client's down payment is meant to provide working capital for the contractor, usually this is insufficient considering the fast-paced work, change orders, and timing difference between billing and collection. Thus, most of the time, a certain amount of work is being "financed" by the contractor and the probability of successfully collecting such is the risk. As EEI has undergone a significant increase in the number and size of projects that it are doing, the level of credit risk has also proportionately risen and should be given ample attention.

EEI performs close monitoring of project cash flow and prompt billing is being done, ensures that all change orders are only executed with proper approval documents from the client to ensure collectability of the work, initiate due diligence of new clients during tender stage as part of KYC, and negotiate for higher down-payment from the client.

e. Funding risk

With the infrastructure boom, EEI is expected to double or triple its existing backlog in the next three years. Fresh capital infusion may have to be injected for it to expand banking facilities and satisfy project funding requirements.

EEI will enhance net contracting capacity through efficient collection of receivables and claim recoveries. EEI is also looking at entering into joint ventures with foreign RPCs who will

contribute ODA funding assistance. Another option is to initiate capital infusion through stock rights issue and reinstatement of the employee stock option plan.

f. Interest rate risk

The era of quantitative easing known as QE3, using dollars created out of thin air to buy vast sums of bonds \$4.4 trillion, is over in the United States. This will signal an end to easy money in Asia. Interest rates are expected to rise with US Federal Reserve Chairman recent announcement for a faster pace to rate hikes to address inflation caused by a strong economy. Higher interest rates result to higher borrowing costs. To mitigate this risk, EEI's efforts to expand its facilities from banks to an optimum level have been successful and efforts to reduce debt levels are continuing.

g. Competition risk

Influx of new foreign competitors is expected with the loosening of the local laws for foreign contractor entry into the local construction market. EEI's local competitors tie up with specialty foreign contractors has also contributed to the intense competition in the market.

EEI continues to focus on its core business where it has competitive advantage and has cemented its business relationship with its main customer base and is continuing with its initiative to enter into foreign markets with the help of its current and future foreign partners.

h. Succession planning

The retirement of EEI's senior executive officers at the Construction Division including a few officers who either retired or left the subsidiary companies factors into its succession planning. Ensuring that proper control of operations and strategic direction remains intact and effective during the transition will be important. To mitigate this risk, vacant positions were promptly filled up with capable people. EEI continues to run extensive management development training programs to prepare the successors of the retiring managers.

i. Manpower Sourcing

The construction boom in the Philippines has put considerable strain in the supply of human labor as various construction companies vie for their services. Although EEI's pool of workers is sufficient for the present amount of work, the anticipated award of new projects will require additional workers.

The capacity of EEI's recruitment group to acquire talents from various parts of the country has been supplemented by increasing their manpower complement. Efforts are now being done to make the deployment of our workers to various projects more efficient – that is, spot over-supply in certain areas and redistribute them to projects where they can be better utilized. In addition, training programs for zero-skilled applicants are being intensified to properly equip new recruits to work in our projects.

The use of technology and machines in lieu of human labor is also being explored.

j. Effects of TRAIN Law

The TRAIN Law is expected to induce price increase in the resources used in EEI's projects. These price movements may result to additional costs without compensating increase in revenue if not properly identified and managed.

To mitigate this risk, escalation clauses are included in contract provisions with our clients and medium term supply contracts have been arranged with major suppliers except for steel

products where prices are expected to decline due to supply glut that may arise from the trade war between US and China.

k. Disruptive Technology

Just like the steam engine ushered in the first industrial revolution... Then electrical power delivered the second...And the internet brought us the third...5G heralds the advent of the fourth industrial revolution.

The fourth Industrial Revolution is shaped by advanced technologies from the physical, digital and biological worlds that combine to create innovations at a speed and scale unparalleled in human history. Collectively, these transformations are changing how individuals, governments and companies relate to each other and the world at large. Players failing to adopt or even adapt to such changes may prove disastrous as they risk obsolescence. Efforts to explore and study the use of these technologies in the construction industry are being done by EEI

l. Sustainability

The WEF 2014 report defines sustainability as "long-term economic development compatible with available natural resources and the preservation of natural environment." According to a GRI 2012 report, there are ten global social and environmental sustainability megaforces that are expected to drive and shape business operations until 2030. These are climate change, energy and fuel, material resource scarcity, water scarcity, population growth, wealth, urbanization, food security, ecosystem decline, and deforestation.

According to GRI-KPMG report, there are six types of risks companies face from social and environmental megaforces:

- Physical risk refers to damage to assets and supply chains from physical impacts such as storms, floods, water shortages and sea-level rise.
- Regulatory risk refers to complex and rapid changes to the regulatory landscape.
- Reputational risk refer to damage to corporate reputation from being seen to do the wrong thing.
- Competitive risk refers to impacts of fast-changing market dynamics, and uncertainty of supply and price volatility of key inputs.
- Social risks refer to conflicts, social unrest, community and worker protests, labor shortages, migration, etc.
- Legal or litigation risks refer to exposure to potential legal action, for example, over nondisclosure of environmental, social and governance information.

Since these megaforces are interrelated in a complex system, the company has started its Sustainability initiative to integrate a systems approach to our sustainability strategy, manage risks to reduce long term costs, and capitalize on opportunities starting with corporate social responsibility and sustainability reports. Using GRI as framework, we will be better able to predict and manage risks emanating from sustainability-related dimensions of business and allow the company, among other benefits, to:

- Anticipate and prepare for issues in communities of operation
- Increase agility in process improvement
- Anticipate and prepare for future materials scarcity

m. Cybersecurity

With the onset of digital innovation and the technological backbone of the Fourth Industrial Revolution, new threats, vulnerabilities and attack vectors evolved e.g. malicious URL, web attacks, formjacking attacks, cryptojacking, enterprise and mobile ransomware, supply chain attacks, malicious email, powershell, etc. With our Oracle Fusion ERP migration to cloud environment, security challenges emerge on multiple fronts. From simple misconfiguration issues to vulnerabilities in hardware chips we saw a wide range of security challenges that the

cloud presents. Assessments on these threats and equipment to protect against these attacks are continuously being monitored collaboratively with the Central SOC of YGC non-financial sector IT Security Group.

n. Data Privacy

The recently passed Data Privacy Law requires that personal and sensitive information of EEI's stakeholders held by the company be taken care of with utmost privacy. A breach of this requirement would mean stiff penalty and also possibly result to costly lawsuits that may tarnish our reputation. A committee has already been formed to spearhead the awareness for this requirement and implementation of necessary policies that protect personal data.

o. Operational Risk

- General. The company's construction projects can generally be divided into 3 types: buildings, infrastructure and electromechanical. Whatever the type of project, the operational risks that the company encounters can be categorized under the following types of risks: Estimation errors; Issues with manpower; Issues with equipment or tools; Issues with materials; Inefficiencies in EEI's performance during project execution; Inefficiencies in client's and their nominated subcontractors' performance during project execution; Site conditions that may affect the work; Actions by third parties (i.e. the public at large or government) that may affect the work; and Government approvals and right of way issues.

The operational risks that the company encounters from year to year changes only in its mix mainly depending on the mix of projects that are being executed. This is because then ature of the work in each type of project results to a different mix of operational risks.

To mitigate this risk, increased awareness of project risk owners of the identification of risk and its impact on the project and performance of probabilistic forecasting to enable improved management of these external factors were implemented. Efforts to enhance the monitoring of project performance including the possible effects of all type of risk exposures are continuing in its development and is expected to further improve the company's anticipation of risks and response were done.

Future construction contracts are being negotiated EEI to contain provisions that either transfers these externalities or at the very least provides a means of spreading or minimizing the risk. Risk mitigation also happens during the tender stage where EEI can decide to pursue or ignore a tender. Creation of rules of thumbs during project execution to contain losses when the risk materializes.

- Accidents. Possibility of accidents is a high risk for any of our projects and this has always been well managed. However, the company's portfolio of infrastructure projects (e.g. railways and elevated roads to name a few) has significantly increased recently. Such projects cannot be isolated from the general public as these are usually located within urbanized areas; there is heightened exposure of the public at-large to accidents due to EEI's construction activities.

A more stringent safety plan is being implemented in all of the projects particularly those involving infrastructure executed in public areas. Proper insurance policies, properly designed to sufficiently cover any damage to 3rd parties, are procured to protect the welfare of the general public and also the financial performance of the projects.

- Right of way and obstruction issues. Another standard risk of infrastructure projects are Right of Way (ROW) and obstruction issues that impede the execution resulting to delays and, possibly, costs overruns. Considering that our big-ticket infrastructure projects are mostly located in developed cities, the occurrence of such issues cannot be prevented.

Whenever possible, EEI taps the capabilities of our design team to explore and suggests redesign of the structure to the client in order circumvent any ROW or obstruction issues. EEI also anticipates effects of possible ROW or obstruction issues and adjust the plan of the

schedule so as to minimize its financial impact without necessarily compromising the project duration.

- Contractual issues. The construction contract is critical in any project's success and the proper understanding and implementation of its provision is key to having a harmonious relationship with the client. However, there is the risk that certain provisions may be vague or even onerous which are contained in the contract that can put the contractor at a significant disadvantage during disputes thus result to unrecoverable costs. These issues should be identified and properly resolved with the other party to prevent any problems later on.

EEI has made changes in our contracts management team and appointed a new Contracts Administrator so as to make the coordination between our legal department and project management team more effective in handling such issues. Lessons learned from the past experiences with contractual issues enabled us to come up with a checklist of provisions that we should carefully look at so as to make sure that it is stated in such a way that it is fair and protect our interests. This checklist is part of the considerations made during contract review of prospective construction projects.

Risk Factors at the Education Sector

- a. Regulatory, recognition of academic programs, and accreditations from government, and self-regulating private accreditation organizations.
 - Accreditations. The schools are governed and regulated by the CHED and by the Department of Education ("DepEd"), depending on the program offerings. In addition, MES and MCL are also accredited by PACUCOA while the initial accreditation of MCM is ongoing by PACUCOA. MES is also accredited by the ABET; MES and MCL are both accredited by PTC-ACBET and PICAB.

The failure of any of our schools to pass government standards, or to meet accreditation renewal standards, may negatively impact the perception of the quality of our academic programs and facilities. If this happens we might expect our enrolment to materially decrease, which would have an adverse impact to our profits and cash flow.

- Tuition Fee. The Commission on Higher Education and the Department of Education regulates tuition increases at the university level and the secondary level, respectively, and routinely sets maximum limits on percentage increases in tuition fees. MES, MCL, MCM, and MHSS are subject to maximum percentage increase guidelines issued by both the CHED and the DepEd, as applicable. The inability of our higher education institutions to increase tuition fees to cover higher operating costs may pose a risk to profits and cash flows over time.
- Changes in regulations. The DepEd K+12 program increases the total number of years of education at the pre-university level from 10 years to 12 years. The addition of two extra years of schooling prior to the university level means universities and colleges ended up with two academic years of no entering freshman classes.

The reduction of the student population because of the K+12 program affected the Company's profits and cash flows in the medium term. MES, MCL and MHSS offered SHS starting 2016 to cushion the effects of the K + 12 Program. However, these measures may not offset the entire impact of a loss of two freshman batches.

- b. Competition
 - Faculty. The schools depend on high quality faculty to teach the educational programs. To the extent that they can, the schools at both the tertiary and secondary level recruit faculty with excellent academic credentials and teaching skills. The schools might not be able to recruit the desired faculty due to any number of factors, including mismatches between the

desired compensation and offer; competing recruitment from other educational institutions; or candidates seeking opportunities abroad.

The schools also work to retain key faculty in certain academic disciplines in order to maintain continuity and reduce turnover. If recruitment and retention efforts suffer, the quality of teaching and the quality of academic programs might suffer.

- **Students.** Competition among schools for greater student enrolment is fierce. The schools compete against an impressive array of non-profit and for-profit schools. The competitors in the elite school level bring a formidable set of resources to the battle: money, facilities, history, tradition, an active alumni base, a spirited student body, established brands, and large marketing budgets.

While Mapua is an established brand, it also has its own impressive set of resources. It continues to pursue accreditations from self-regulating private accreditation organizations in addition to the government accreditation bodies.

c. Credit Risk

As the schools increase their enrollment, the level of receivables also increases. Some of the students who cannot afford to make the full payment of tuition and miscellaneous fees during an academic quarter execute a Promissory Note and are expected to settle their accounts prior to the start of the next academic quarter. In certain cases, students who have signed promissory notes cannot pay these notes.

The schools do not aggressively pursue collection of defaulted student debt given that the default rate is small. Regardless, the schools face a risk that a rise in student defaults on promissory notes would impact profits and cash flows negatively.

d. Operational Risk

The following may hamper the operations of the Mapúa schools:

- **Transportation Strikes.** In the event of a transportation strike, students, faculty, and the admin staff are unable to come to the campuses affected. Classes are normally suspended during these events.
- **Natural calamities and disasters.** Our schools, like many other enterprises, are subject to adverse occurrences beyond our control, which include (but are not limited to) earthquakes, floods, and similar natural phenomena. We believe we carry enough insurance to hedge against the monetary damages caused by these events. In the event that the damage to our facilities arising from said events are severe and our insurance is not enough to cover it, our operations and ability to return to normal conditions might be severely affected.
- **Labor unrest.** Mapúa University has two unions, Faculty Association of MIT (FAMIT) and MIT Labor Union (MITLU). A strike by any of the two unions would obstruct operations.

Mapúa University is bound by the collective bargaining agreement (CBA) signed between the institution and the two unions. Mapúa University negotiates with each union separately. The FAMIT represents the faculty members. The MITLU represents the non-teaching staff. To the extent that unions negotiate CBA's with higher increases over time, this would negatively impact the cost structure of Mapúa University and lower the expected value of its profit and cash flows over time.

In the event that a CBA is not negotiated successfully or there is an issue that results in labor unrest, it could have a material adverse impact on the operations of Mapúa University.

In the event of calamities, strikes, and the like that could hamper the operations of the schools, Mapúa has tested and instituted the use of Blackboard, its learning management system that is capable of conducting real-time online classes.

e. Interest Rate Risk

It is a company policy to use excess liquidity to pay down any borrowings in order to decrease financing costs, and reduce exposure to rising interest rates. It is also a company policy to actively discuss with lending banks on how to lower financing costs. The Company does not have a practice of speculating on the direction of interest rates. The main objective is to lower financing costs as much as possible.

The schools need capital to grow. All of our schools pursue growth opportunities, which may involve any of the following actions: building new teaching and non-teaching facilities at existing campuses; building campuses at new locations; or even buying other schools.

In order to grow, the schools will need to raise funding. This fund raising can arise from the sale of equity, selling debt securities, borrowing from existing debt facilities, or borrowing from new debt facilities. If capital is raised through borrowings, the Mapúa schools will also be subject to interest rate risk. An increase in our negative carry will also adversely impact our profitability.

f. Market Risk and Political Risk

In the event that adverse macro-economic or micro-economic factors hit the country that may force a subset of students to temporarily drop out and continue their education at a later time, permanently stop school, or they decide to transfer to another school, our enrolment may be negatively impacted and this will have a negative effect on our profitability.

A certain portion of the student population depends on family members who are Overseas Filipino Workers to pay for their tuition and miscellaneous fees. International relations of the Philippines with the employer countries is a key element to avoid any serious disruption in the size and frequency of inward-bound overseas remittances.

The Free College Tuition also poses a risk to our schools. This may reduce the enrollment if current prospective students will opt to enroll in state-run universities and colleges.

Risk Factors at the Property Services

a. General Economic Conditions

The success of our business is significantly related to general economic conditions and accordingly, our business could be harmed by an economic slowdown and downturn in commercial real estate asset values, property sales and leasing activities. Periods of economic weakness or recession, significantly rising interest rates, declining employment levels, declining demand for commercial real estate, falling real estate values, or the public perception that any of these events may occur, may negatively affect the performance of some or all of our business lines.

These economic conditions can result in a general decline in disposition and leasing activity, as well as a general decline in the value of commercial real estate and in rents, which in turn reduces revenue from property management fees and commissions derived from property sales and leasing.

b. Credit Risk

Our business efficiency is highly dependent on our ability to manage our working capital well. If we experience delays in collections of accounts receivable, there will be a major impact on the availability of funding for our day-to-day operations. Any default by one or more of our

significant customers due to bankruptcy or otherwise could have a material adverse impact on our liquidity, results of operations and financial condition.

c. Operational Risk

- **Loss of Key Personnel.** Our success depends upon the retention of our senior management, as well as our ability to attract and retain qualified and experienced employees. The departure of any of our key employees or the loss of a significant number of key revenue producers, if we are unable to quickly hire and integrate qualified replacements, could cause our business, financial condition and results of operations to suffer.

In addition, the growth of our business is largely dependent upon our ability to attract and retain qualified support personnel in all areas of our business. Competition for these personnel is intense and we may not be able to successfully recruit, integrate or retain sufficiently qualified personnel. If we are unable to attract and retain these qualified personnel, our growth may be limited and our business and operating results could suffer.

- **Natural calamities and disasters.** Our operations can be hampered by property losses (both ours and our clients') due to fire, adverse weather conditions, earthquakes, and militant activities e.g. rallies and strikes, among others. In addition, our business is subject to substantial risk of loss resulting from: claims by employees, customers, and third parties for personal injury or property damage; and fines and penalties in connection with alleged violations of regulatory requirements.

While we and our clients have insurance for many of these risks, we retain risk relating to certain of these perils and certain perils are not covered by our insurance.

d. Litigation Risk

We are subject to substantial litigation risks and may face significant liabilities and damage to our professional reputation as a result of litigation allegations and negative publicity.

In our property and facilities management business, we hire and supervise third-party contractors to provide construction services for our managed properties. While our role is limited to that of an agent for the owner, we may be subject to claims for construction defects or other similar actions.

e. Competition

We compete across a variety of business disciplines within the commercial real estate services industry, including commercial property and corporate facilities management, occupier and property/agency leasing, and property sales. We face competition from other commercial real estate and security service providers, including outsourcing companies that traditionally competed in limited portions of our facilities management business and have recently expanded their offerings, in-house corporate real estate departments, and developers.

- **Service Contracts.** Competitive pressures in the security services sector may prevent us from increasing our billing rates on contract anniversary or renewal dates. Our profitability will be adversely affected if, due to inflation or other causes, including increases in statutory payroll taxes, we are compelled to increase the wages, salaries and related benefits of our employees in amounts that exceed the amount that we can pass on to our customers through increased billing rates charged under our service contracts.
- **Recruitment and Retention.** Our business involves the labor-intensive delivery of our services. We derive our revenues through the services rendered by our employees. Our future performance depends in large part upon our ability to attract, train, motivate and retain our skilled operational and administrative staff.

The loss of the services of, or the failure to recruit, the required complement of operational and administrative staff would have a material adverse effect on our business,

financial condition and results of operations, including our ability to secure and complete security service contracts.

Additionally, if we do not successfully manage our existing operational and administrative staff, we may not be able to achieve the anticipated gross margins, service quality, overtime levels and other performance measures that are important to our business, financial condition and results of operations.

f. Regulatory Risk

If we fail to comply with laws and regulations applicable to us in our role as a property/facility manager, we may incur significant financial penalties.

We are subject to a large number national and local laws and regulations that apply to security agencies and their guards. Any liability we may have from our failure to comply with these regulations may materially and adversely affect our business by restricting our operations and subjecting us to potential penalties.

g. Environmental Liability

We may be subject to environmental liability as a result of our role as a property or facility manager or developer of real estate. Various laws and regulations impose liability on real property owners or operators for the cost of investigating, cleaning up or removing contamination caused by hazardous or toxic substances at a property.

In our role as a property or facility manager, we could be held liable as an operator for such costs. This liability may be imposed without regard to the legality of the original actions and without regard to whether we knew of, or were responsible for, the presence of the hazardous or toxic substances.

If we fail to disclose environmental issues, we could also be liable to a buyer or lessee of a property. If we incur any such liability, our business could suffer significantly as it could be difficult for us to sell such properties. Additionally, liabilities incurred to comply with more stringent future environmental requirements could adversely affect any or all of our lines of business.

h. Liability

In many cases, our property services contracts require us to indemnify our customers or may otherwise subject us to additional liability for events occurring on customer premises. We maintain insurance programs that we believe provide appropriate coverage for certain liability risks, including personal injury, death and property damage.

Insurance may not be adequate to cover all potential claims or damages. If a plaintiff brings a successful claim against us for punitive damages in excess of our insurance coverage, then we could incur substantial liabilities that would have a material adverse effect on our business, financial condition and results of operations.

i. Changes in Technology

Technological change that provides alternatives to property services or that decrease the number of personnel to effectively perform their services may decrease our customers' demand for our services. A decrease in the demand for our property services or our inability to effectively utilize such technologies may adversely affect our business, financial condition and results of operations.

EXHIBIT 1

**HOUSE OF INVESTMENTS, INC. and
SUBSIDIARIES**

**Interim Condensed
Unaudited Consolidated Financial Statements**

**March 31, 2019 and 2018 (Unaudited)
and
December 31, 2018 (Audited)**

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited March 31, 2019	Audited December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱2,158,796,707	₱2,039,664,825
Receivables (Note 7)	5,579,528,519	4,780,021,190
Contract assets (Note 8)	4,807,754,399	4,966,434,784
Receivables from related parties	71,877,807	145,966,212
Inventories (Note 9)	2,683,838,133	2,694,172,298
Prepaid expenses and other current assets (Note 10)	1,761,450,179	1,464,970,619
Total Current Assets	17,063,245,744	16,091,229,928
Noncurrent Assets		
Equity investments at fair value through other comprehensive income (FVOCI) (Note 11)	980,070,263	974,709,294
Investments in associates and joint ventures (Note 12)	5,700,814,787	5,505,955,000
Investment properties (Note 15)	18,152,643	18,157,018
Property and equipment (Note 13)		
At revalued amount	7,023,425,494	7,023,425,494
At cost	7,489,784,893	7,531,418,455
Goodwill (Note 14)	471,357,459	471,357,459
Retirement assets	24,910,823	28,059,472
Deferred tax assets - net	151,468,196	139,503,935
Other noncurrent assets - net (Note 16)	2,160,063,864	1,817,267,027
Total Noncurrent Assets	24,020,048,422	23,509,853,154
Total Assets	₱41,083,294,166	₱39,601,083,082
LIABILITIES AND EQUITY		
Current Liabilities		
Loans payable (Note 18)	₱11,093,900,000	₱10,519,000,000
Accounts payable and other current liabilities (Note 17)	6,854,164,448	6,794,791,483
Current portion of long-term debt (Note 19)	1,052,380,952	774,603,175
Income tax payable	82,137,042	42,310,920
Due to related parties	135,819,164	134,849,411
Contract liabilities (Note 8)	242,524,044	314,947,490
Total Current Liabilities	19,460,925,650	18,580,502,479
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 19)	1,479,761,905	2,020,634,921
Retirement liabilities	145,312,214	141,017,371
Deferred tax liabilities - net	544,812,461	544,975,039
Other noncurrent liabilities (Note 17)	752,618,093	142,164,037
Total Noncurrent Liabilities	2,922,504,673	2,848,791,368
Total Liabilities	22,383,430,323	21,429,293,847

(Forward)

	December 31	
	Unaudited	Audited
	March 31, 2019	December 31, 2018
Equity		
Attributable to equity holders of the Parent Company		
Preferred stock (Note 21)	₱247,414,156	₱247,414,156
Common stock (Note 21)	921,836,572	921,836,572
Additional paid-in capital	154,578,328	154,578,328
Equity reserve on acquisition of non-controlling interest	(179,954,180)	(179,954,180)
Revaluation increment on land - net (Note 13)	1,602,230,727	1,602,230,727
Cumulative translation adjustments	251,398,405	249,703,345
Fair value reserve of equity investments at FVOCI (Note 11)	261,089,004	259,855,707
Remeasurement loss on defined benefit plans	(29,451,659)	(27,924,073)
Retained earnings (Note 20)	9,559,556,635	9,198,512,458
	12,788,697,988	12,426,253,040
Non-controlling interests (Note 34)	5,911,165,855	5,745,536,195
Total Equity	18,699,863,843	18,171,789,235
	₱41,083,294,166	₱39,601,083,082

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF INCOME

	January to March 31		
	2019	2018	2017
REVENUE (Note 24)	₱7,999,769,006	₱6,905,029,734	₱6,884,245,490
COSTS OF SALES AND SERVICES (Note 26)	6,764,134,221	5,980,324,733	5,935,918,767
GROSS PROFIT	1,235,634,785	924,705,001	948,326,723
OTHER INCOME - Net (Note 25)	38,539,474	90,574,277	179,805,195
EQUITY IN NET EARNINGS (LOSSES) OF ASSOCIATES AND JOINT VENTURES (Note 12)	187,866,801	215,291,541	190,547,937
GENERAL AND ADMINISTRATIVE EXPENSES (Note 28)	(570,504,772)	(560,967,223)	(525,121,779)
INTEREST AND FINANCE CHARGES (Notes 18, 19 and 32)	(188,787,596)	(82,145,007)	(65,396,921)
INCOME BEFORE INCOME TAX	702,748,692	587,458,589	728,161,155
PROVISION FOR INCOME TAX	(132,316,089)	(95,503,265)	(138,672,356)
NET INCOME	₱570,432,603	₱491,955,324	₱589,488,799
Net income (loss) attributable to:			
Equity holders of the Parent Company	₱391,123,303	₱324,474,680	₱404,614,454
Non-controlling interests	179,309,300	167,480,644	184,874,344
	₱570,432,603	₱491,955,324	₱589,488,798
EARNINGS PER SHARE (Note 23)			
BASIC	₱0.6349	₱0.5267	₱0.6521
DILUTED	₱0.5008	₱0.4133	₱0.5067

See accompanying Notes to Consolidated Financial Statements.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE
INCOME

	January 1 to March 31		
	2019	2018	2017
NET INCOME	₱570,432,603	₱491,955,324	₱589,488,798
OTHER COMPREHENSIVE INCOME			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>			
Cumulative translation adjustments	3,118,212	35,033,301	6,073,832
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
Changes in fair value of equity investments carried at FVOCI (Note 11)	2,163,115	(2,984,369)	(38,225)
Remeasurement gains (losses) on net retirement liability	(2,810,129)	(49,231)	–
Total other comprehensive income (loss)	2,471,198	31,999,701	6,035,607
TOTAL COMPREHENSIVE INCOME	₱572,903,801	₱523,955,025	₱595,524,405
Total comprehensive income attributable to:			
Equity holders of the Parent Company	₱392,524,074	₱341,283,987	₱407,514,211
Noncontrolling interest in consolidated subsidiaries	180,379,727	182,671,037	188,010,195
	₱572,903,801	₱523,955,024	₱595,524,406

See accompanying Notes to Consolidated Financial Statements.

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Attributable to the Group												
	Preferred Stock (Note 20)	Common Stock (Note 20)	Additional Paid-in Capital	Premium on Acquisition of Noncontrolling Interest	Revaluation Increment on Land - Net	Cumulative Translation Adjustment	Changes in fair value of equity investments carried at FVOCI	Remeasurement losses on Net Retirement Liability	Retained Earnings	Total	Attributable to Noncontrolling Interest	
For the Period Ended March 31, 2018												
Balances as at January 1, 2019	₱247,414,156	₱921,836,572	₱154,578,328	(₱179,954,180)	₱1,329,730,248	₱249,703,345	₱261,089,004	(₱27,924,073)	₱9,198,512,458	₱12,436,253,040	₱5,745,536,195	₱18,171,789,235
Impact of PFRS 16 adoption	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	(30,079,126)	(30,079,126)	-	(30,079,126)
Net income	247,414,156	921,836,572	154,578,328	(179,954,180)	1,329,730,248	249,703,345	261,089,004	(5,100,398)	9,168,433,332	12,396,173,914	5,745,536,195	18,141,710,109
Other comprehensive income	-	-	-	-	-	1,695,060	1,233,297	(1,527,586)	372,377,903	391,123,303	179,309,300	570,432,603
Total comprehensive income	-	-	-	-	-	1,695,060	1,233,297	(1,527,586)	372,377,903	392,524,074	180,379,727	572,903,801
Dividends declared by Parent Company	-	-	-	-	-	-	-	-	-	-	-	-
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	(14,750,067)	(14,750,067)
Total dividends declared	-	-	-	-	-	-	-	-	-	-	(14,750,067)	(14,750,067)
Balances as at March 31, 2019	₱247,414,156	₱921,836,572	₱154,578,328	(179,954,180)	₱1,329,730,248	₱251,398,405	₱262,322,301	(₱29,451,659)	₱8,732,303,181	₱12,788,697,988	₱5,911,105,855	₱18,699,866,843
For the Period Ended March 31, 2018												
Balances as at January 1, 2018	₱253,758,109	₱921,836,572	₱154,578,328	(₱179,954,180)	₱1,329,730,248	₱224,366,002	₱87,185,459	(₱5,100,398)	₱8,407,828,501	₱11,194,228,641	₱5,157,194,941	₱16,351,423,582
Redemption of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition of noncontrolling interest	-	-	-	-	-	-	-	-	-	-	-	-
Net income	253,758,109	921,836,572	154,578,328	(179,954,180)	1,329,730,248	224,366,002	87,185,459	(5,100,398)	8,407,828,501	11,194,228,641	5,157,194,941	16,351,423,582
Other comprehensive income	-	-	-	-	-	19,044,103	(2,202,053)	(32,743)	324,474,680	324,474,680	167,480,643	491,955,323
Total comprehensive income	-	-	-	-	-	19,044,103	(2,202,053)	(32,743)	324,474,680	324,474,680	15,190,394	31,999,701
Dividends declared by Parent Company	-	-	-	-	-	19,044,103	(2,202,053)	(32,743)	324,474,680	341,283,987	182,671,037	523,955,024
Dividends declared by subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
Total dividends declared	-	-	-	-	-	-	-	-	-	-	(16,050,068)	(16,050,068)
Balances as at March 31, 2018	₱253,758,109	₱921,836,572	₱154,578,328	(179,954,180)	₱1,329,730,248	₱243,410,105	₱84,983,406	(₱5,133,141)	₱8,732,303,181	₱11,535,512,628	₱5,323,815,910	₱16,859,328,538

	For the Period Ended March 31, 2017									
Balances as at January 1, 2017	₱280,802,820	₱921,836,572	₱154,578,328	(₱179,954,180)	₱1,106,401,670	₱159,864,897	₱79,859,050	(₱2,832,302)	₱7,529,455,996	₱10,050,012,851
Redemption of preferred shares	(7,020,070)	—	—	—	—	—	—	—	—	(7,020,070)
Acquisition of noncontrolling interest	—	—	—	—	—	—	—	—	—	—
	273,782,750	921,836,572	154,578,328	(179,954,180)	1,106,401,670	159,864,897	79,859,050	(2,832,302)	7,529,455,996	10,042,992,781
Net income	—	—	—	—	—	—	—	—	4,575,875,042	14,618,867,823
Other comprehensive income	—	—	—	—	—	—	—	—	184,874,344	589,488,798
Total comprehensive income	—	—	—	—	—	3,301,735	(401,978)	—	4,760,349,340	15,232,350,421
Dividends declared by Parent Company	—	—	—	—	—	3,301,735	(401,978)	—	2,899,757	6,035,608
Dividends declared by subsidiaries	—	—	—	—	—	—	—	—	407,514,211	188,010,195
Total dividends declared	—	—	—	—	—	—	—	—	(2,915,295)	(2,915,295)
Balances as at March 31, 2017	₱273,782,750	₱921,836,572	₱154,578,328	(179,954,180)	₱1,106,401,670	₱163,166,632	₱79,457,072	(₱2,832,302)	₱10,447,591,697	₱15,196,796,346

See accompanying Notes to Consolidated Financial Statements

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Periods Ended March 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱702,748,692	₱587,458,589	₱728,161,154
Adjustments for:			
Depreciation and amortization	158,773,718	175,870,392	175,958,582
Interest and finance charges	188,787,597	82,145,007	65,396,921
Movement in accrued retirement liability	—	—	—
Dividend income	(12,234,140)	(650,000)	(1,488,000)
Interest income	(13,660,191)	(9,900,916)	(24,014,332)
Impact of PFRS 16 adoption	(30,079,126)	—	—
Equity earnings in associates	(187,866,801)	(215,291,541)	(190,547,936)
Operating income working capital changes	806,469,749	619,631,531	753,466,389
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Accounts receivable	(787,819,758)	766,807,509	(264,945,199)
Loans receivable	(11,356,766)	(418,151)	(2,058,608)
Contract assets	158,680,385	(390,273,768)	(79,783,005)
Inventories	10,334,165	(130,466,594)	230,663,859
Prepaid expenses and other current assets	(287,676,929)	(159,350,422)	(126,809,339)
Financial asset at FVPL	(8,802,631)	(44,428)	(38,640)
Increase (decrease) in:			
Accounts payable and accrued expenses	59,372,968	455,890,591	471,515,028
Customers' deposits	—	5,444,629	2,585,880
Billings in excess of costs and estimated earnings on uncompleted contracts	—	(640,698,162)	(160,853,342)
Contract liabilities	(72,423,446)	(63,401,698)	(38,657,912)
Accrued retirement liability	2,767,257	141,287	(3,520,884)
Net cash generated from (used for) operations	(130,455,006)	463,262,324	781,564,227
Interest received	13,660,191	9,900,916	24,014,332
Interest and finance charges paid	(188,787,597)	(82,145,007)	(65,396,921)
Income tax paid	(104,616,806)	(46,608,717)	(104,756,024)
Net cash flows provided by (used in) operating activities	(410,199,218)	344,409,516	635,425,614
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments received from (advances to) related parties	75,058,157	(1,913,778)	(2,373,550)
Investments in associates and joint ventures	(5,297,926)	(316,976,398)	(1,320,114)
Increase (decrease) in other noncurrent assets	(339,974,615)	22,219,294	(222,485,347)
Proceeds from disposals (acquisitions) of available-for-sale securities	(4,127,672)	782,315	22,013,739
Property, plant and equipment, net	(117,140,158)	(232,216,161)	(372,544,343)
Dividends received	12,234,140	650,000	1,488,000
Net Addition (deduction) to minority interest	(13,679,641)	(859,673)	8,455,264
Net cash flows used in investing activities	(392,927,715)	(528,314,401)	(566,766,351)

	Periods Ended March 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds (payments) from:			
Loans payable	574,900,000	(225,000,000)	(550,000,000)
Long-term debt	(263,095,239)	(122,966,753)	(122,905,947)
Other noncurrent liability	610,454,054	—	—
Redemption of preferred shares	—	—	(7,020,070)
Cash dividends paid	—	—	(2,915,296)
Net cash flows provided by (used in) financing activities	922,258,815	(347,966,753)	(682,841,313)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	119,131,882	(531,871,638)	(614,182,050)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,039,664,825	1,967,498,425	2,393,201,221
CASH AND CASH EQUIVALENTS AT END OF PERIOD	₱2,158,796,707	₱1,435,626,787	₱1,779,019,171

See accompanying Notes to Consolidated Financial Statements

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

House of Investments, Inc. (the Parent Company) is a stock corporation incorporated under the laws of the Republic of the Philippines on May 21, 1959. On July 20, 2007, the Parent Company's corporate life was extended for another fifty (50) years starting May 21, 2009.

The Parent Company and its subsidiaries (collectively known as the Group) are primarily engaged in car dealership, construction, education, property services, afterlife services, consumer finance, and pharmaceuticals.

The Parent Company's common stock was listed with the Philippine Stock Exchange (PSE) on July 2, 1962, the Parent Company's initial public offering (IPO). The Parent Company's shares of stock are currently traded at the PSE. The ultimate parent company of the Group is Pan Malayan Management and Investment Corporation (PMMIC).

The registered office address and principal place of business of the Parent Company is at 3rd Floor, Grepalife Building, 219 Sen. Gil J. Puyat Avenue, Makati City, Metro Manila.

2. Basis of Preparation

The consolidated financial statements of the Group have been prepared under the historical cost basis, except for land, which is carried at revalued amount and financial asset at FVPL and available-for-sale financial assets which are measured at fair value. The accompanying consolidated financial statements are presented in Philippine Peso (Php, ₱), which is also the Parent Company's functional currency. Except as indicated, all amounts are rounded off to the nearest peso.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as of March 31, 2019 and December 31, 2018, and for each of the three years in the period ended March 31, 2019.

The consolidated financial statement include the Parent Company and the following companies that it controls:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership			
				March 31, 2019		December 2018	
				Direct	Indirect	Direct	Indirect
Landev Corporation	Philippines	Property management	Philippine peso	100.00	—	100.00	—
Hexagon Lounge, Inc.	Philippines	Restaurant	Philippine peso	—	100.00	—	100.00
Greyhounds Security and Investigation Agency Corp.	Philippines	Security agency	Philippine peso	—	100.00	—	100.00
Secon Professional Security Training Academy Inc. ^(a)	Philippines	Training service provider	Philippine peso	—	100.00	—	100.00
Xamdu Motors, Inc. (XMI)	Philippines	Car dealership	Philippine peso	100.00	—	100.00	—
		Insurance agent, financing, trading and real estate					
Investment Managers, Inc. (IMI)	Philippines		Philippine peso	100.00	—	100.00	—
Zambowood Realty and Development Corporation (ZRDC)	Philippines	Real estate	Philippine peso	100.00	—	100.00	—
Zamboanga Carriers, Inc. (ZCI)	Philippines	Transportation	Philippine peso	100.00	—	100.00	—
Honda Cars Kalookan, Inc. (HCKI)	Philippines	Car dealership	Philippine peso	55.00	—	55.00	—
Zamboanga Industrial Finance Corporation (ZIFC)	Philippines	Consumer Finance	Philippine peso	50.00	—	50.00	—
EEl Corporation (EEl)	Philippines	Construction	Philippine peso	54.36	—	54.36	—
	British Virgin Islands						
EEl Limited	British Virgin Islands	Holding company	US Dollar	—	100.00	—	100.00
	British Virgin Islands						
Clear Jewel Investments, Ltd.	Islands	Holding company	US Dollar	—	100.00	—	100.00
EEl Corporation (Singapore) Pte. Ltd. ^(b)	Singapore	Construction	Singapore Dollar	—	—	—	100.00
EEl Nouvelle-Caledonie SARL ^(b)	New Caledonia	Construction	French Franc	—	—	—	100.00
	British Virgin Islands						
Nimaridge Investments, Limited	Islands	Holding company	US Dollar	—	100.00	—	100.00
EEl (PNG), Ltd	Papua New Guinea	Holding company	US Dollar	—	100.00	—	100.00
	United States of America						
EEl Corporation (Guam), Inc.	America	Construction	US Dollar	—	100.00	—	100.00
EEl Construction and Marine, Inc.	Philippines	Construction	Philippine peso	—	100.00	—	100.00
EEl Realty Corporation (EEl Realty)	Philippines	Real estate	Philippine peso	—	100.00	—	100.00
EEl Subic Corporation	Philippines	Construction	Philippine peso	—	100.00	—	100.00
Equipment Engineers, Inc. (EE)	Philippines	Construction	Philippine Peso	—	100.00	—	100.00
		Rental of scaffolding and formworks					
JP Systems Asia Inc. (JPSAI) ^(c)	Philippines		Philippine Peso	—	60.00	—	—
EEl Power Corporation (EPC)	Philippines	Power generation	Philippine Peso	—	100.00	—	100.00
Gulf Asia International Corporation (GAIC)	Philippines	Manpower services	Philippine peso	—	100.00	—	100.00
GAIC Professional Services, Inc. (GAPSI)	Philippines	Manpower services	Philippine peso	—	100.00	—	100.00
GAIC Manpower Services, Inc. (GAMSI)	Philippines	Manpower services	Philippine peso	—	100.00	—	100.00
Bagumbayan Equipment & Industrial Products, Inc.	Philippines	Consultancy services	Philippine peso	—	100.00	—	100.00
Philmark, Inc.	Philippines	Construction	Philippine peso	—	100.00	—	100.00
Philrock Construction and Services, Inc.	Philippines	Manpower services	Philippine peso	—	100.00	—	100.00
		Education and Information Technology					
iPeople, Inc. (IPO)	Philippines		Philippine peso	67.34	—	67.34	—
		Education and Information Technology					
Malayan Colleges, Inc. (MCI)	Philippines		Philippine peso	7.00	93.00	7.00	93.00
Mapua Information Technology Center, Inc. (MITC)	Philippines	Education and Information Technology	Philippine peso	—	100.00	—	100.00
Mapua Techserv, Inc. (MTI)	Philippines	Consultancy	Philippine peso	—	100.00	—	100.00
Mapua Techpower, Inc.	Philippines	Consultancy	Philippine peso	—	75.00	—	75.00
San Lorenzo Ruiz Institute of Health Sciences, Inc. (SLRHSI)	Philippines	Education and Information Technology	Philippine peso	—	100.00	—	100.00
Malayan High School of Science, Inc. (MHSSI)	Philippines	Education and Information Technology	Philippine peso	—	100.00	—	100.00
		Education and Information Technology					
Malayan Colleges Laguna, Inc. (MCLI)	Philippines		Philippine peso	—	100.00	—	100.00
Malayan Colleges Mindanao, Inc. (MCMi)	Philippines	Education and Information Technology	Philippine peso	—	100.00	—	100.00
People eServe Corporation (People eServe)	Philippines	Technology	Philippine peso	—	100.00	—	100.00
Pan Pacific Computer Center, Inc. (PPCCI)	Philippines	Technology	Philippine peso	—	100.00	—	100.00

(a) Acquired in 2016

(b) Liquidated in 2016

(c) Incorporated in December 2016

The consolidated financial statements are prepared for the same reporting year as the Parent Company, using consistent accounting policies. All significant intercompany balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

Control is achieved when the Group is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases.

Noncontrolling interest represents the portion of profit or loss and net assets not held by the Group. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the noncontrolling interests having a deficit balance.

Losses within a subsidiary are attributed to the noncontrolling interest until the balance is reduced to nil. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and
- Reclassifies the Group's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

3. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2019.

- PFRS 16, Leases

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use

asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

On January 1, 2019, the Company adopted PFRS 16 using the modified retrospective approach. Under this method, the company is not required to restate comparative information. Instead the cumulative effect of initial application is recognized as an adjustment to retained earnings. The effect of adopting PFRS 16 as at January 1, 2019 was, as follows:

	As at December 31, 2018	Increase (Decrease) due to PFRS 16 Adjustments	As at January 1, 2019
Assets			
Other Noncurrent Asset (Right-of-Use Asset)	₱ -	₱555,230,855	₱555,230,855
Liabilities			
Accounts Payable and Accrued Expenses	₱ 549,108,574	(37,482,706)	₱511,625,867
Other Noncurrent Liability (Lease Liability)	-	622,792,689	622,792,689
	₱ 424,792,067	₱267,129,084	₱ 1,689,649,411
Equity			
Retained Earnings	₱ 352,322,981	(₱30,079,126)	₱382,700,860

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

4. Summary of Significant Accounting Policies

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

Revenue from construction contracts

The Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time because the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced by applying par. 35(b) of PFRS 15. Control of an asset refers to the ability to direct the use of, and obtain substantially all of the remaining benefits from, the asset. The customer, having the ability to specify the design (or any changes thereof) of the asset, controls the asset as it is being constructed. Furthermore, the Group builds the asset on the customer's land (or property controlled by the customer), hence, the customer generally controls any work in progress arising from the Group's performance. The Group also recognized as part of its construction revenue, the effects of variable considerations arising from various change orders and claims, to the extent that they reflect the amounts the Group expects to be entitled to and to be received from the customers, provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For unpriced change orders and claims, the Group uses the "most likely amount" method to predict the amounts the Group expects to be entitled to and to be received from the customers.

The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of service to the customer.

Revenue from sale of goods

Revenue from sale of goods is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery and acceptance of the inventory item.

Revenue from tuition and other related fees

Revenue from tuition fees and other matriculation fees are recognized over time as revenue over the corresponding school term using the output method (i.e., time lapsed over the service period such as semester or school year, depending on the curriculum registered). Upon enrollment, students have the option to pay the tuition and other matriculation fees in full or installment.

Admission, examination and other fees are recognized as income when examination has been granted by the school and related services have been provided to the students (at point in time).

Revenue from power generation

The Group's power supply agreement with its customer requires the Group to deliver certain units of electricity (in kWh) to the customer per month. As delivery of electricity constitutes a series of distinct good or services that are substantially the same and have the same pattern of transfer to the customer (i.e., the good or service would be recognized over time using the same measure of progress), this was treated by the Group as a single performance obligation. Because electricity is simultaneously provided and consumed, the Group's performance obligation to deliver electricity

qualifies for revenue recognition over time by applying par. 35(a) of PFRS 15. The Group recognizes revenue from power generation by applying the “right to invoice” practical expedient since the Group’s right to payment is for an amount that corresponds directly with the value to the customer of the Group’s performance to date.

Revenue from manpower services

Under the Group’s service agreements with its customers, the Group is required to provide manpower services (including but not limited to janitorial, messengerial and other allied services). As provision of these services constitutes a series of distinct good or services that are substantially the same and have the same pattern of transfer to the customer (i.e., the good or service would be recognized over time using the same measure of progress), this was treated by the Group as a single performance obligation. Because the services are simultaneously provided and consumed by the customer, the Group’s performance obligation to render such services qualifies for revenue recognition over time by applying par. 35(a) of PFRS 15. The Group recognizes revenue from manpower supply services by applying the “right to invoice” practical expedient since the Group’s right to payment is for an amount that corresponds directly with the value to the customer of the Group’s performance to date.

Contract balances arising from revenue with customer contracts

Receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

'Day 1' profit or loss

Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the consolidated statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, receivables, and due from related parties.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably all its equity investments under this category.

The Group does not have any debt financial assets at fair value through OCI and financial assets at fair value through profit or loss as of March 31, 2019.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The loss allowance was adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECL is based on the 12-month ECL. The 12-month ECL is the portion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The Group generally considers a financial asset in default when contractual payments are 90 days past due. For a financial asset that arises from long-term construction contracts, the Group considers the asset to be in default if contractual payments are not settled within 30 days from the completion of the construction project. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

The accounting for the Group's financial liabilities remains the same as it was under PAS 39. The Group initially measures a financial liability at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs. The Group has no financial liabilities at FVPL.

Subsequent to initial recognition, the Group's financial liabilities are carried at amortized cost. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of income. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

This category generally applies to the Group's accounts payable and other current liabilities, bank loans, long-term debt and due to related parties

Derecognition of Financial Instruments

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: (a) the rights to receive cash flows from the asset have expired; or (b) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Other financial liabilities

Other financial liabilities are nonderivative financial liabilities with fixed or determinable payments that are not quoted in an active market. These liabilities are carried at amortized cost in the consolidated statement of financial position. Amortization is determined using the effective interest method. Gains and losses are recognized in the consolidated statement of comprehensive income, when the liabilities are derecognized as well as through the amortization process.

Other financial liabilities are classified as current liabilities when it is expected to be settled within twelve (12) months from the financial reporting date or the Group does not have an unconditional right to defer settlement for at least 12 months from financial reporting date. Otherwise, these are classified as noncurrent liabilities. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized.

The Group’s other financial liabilities consist of loans payable, accounts payable and other current liabilities, due to related parties and long-term debt.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Jointly Controlled Operations

A jointly controlled operation involves the use of the assets and other resources of the venturers rather than the establishment of a corporation, partnership or other entity, or a financial structure that is separate from the venturers themselves. Each venturer uses its own property, plant and equipment and carries its own inventories. It also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). NRV is the selling price in the ordinary course of business, less the estimated costs of completion of inventories and the estimated costs necessary to sell.

Cost includes purchase price and other costs directly attributable to its acquisition such as non-refundable taxes, handling and transportation cost.

The cost of real estate inventories includes (a) land cost; (b) freehold and leasehold rights for land; (c) amounts paid to contractors for construction; (d) borrowing costs, planning and design cost, cost of site preparation, professional fees, property taxes, construction overheads and other related costs.

Cost of inventories is generally determined primarily using the moving-average method, except for automotive units of the car dealerships and real estate inventories of EEI Realty, which are accounted for using the specific identification method.

Value-Added Tax (VAT)

Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated statement of financial position up to the extent of the recoverable amount.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. These typically comprise prepayments of insurance premiums, rents and others. It is included as part of other current assets in the consolidated statement of financial position.

Other Current Assets

Other current assets pertain to other resources controlled by the Group as a result of past events and from which future economic benefits are expected to flow to the Group within the reporting period.

Investments in Associates and Joint Venture

An associate is an entity in which the Group has significant influence. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associates and joint venture are accounted for using the equity method of accounting. Under this method, the investment amount is increased or decreased to recognize the Group's share in the profit or loss of the investee after the date of acquisition. Dividends received from the investee reduces the carrying amount of the investment. Adjustments to the carrying amount may also be necessary for changes in the Group's proportionate interest in the investee arising from changes in the investee's other comprehensive income.

Gains and losses resulting from ‘upstream’ and ‘downstream’ transactions between the Group and its associate or joint venture are recognized in the consolidated financial statements only to the extent of unrelated investors’ interests in the associate or joint venture.

The reporting dates and the accounting policies of the associates and joint venture conform to those used by the Group for like transactions and events in similar circumstances.

The Group discontinues applying the equity method when their investment in investee company is reduced to zero. Accordingly, additional losses are not recognized unless the Group has guaranteed certain obligations of the investee company. When the investee company subsequently reports net income, the Group will resume applying the equity method but only after its share of that net income equals the share of net losses not recognized during the period the equity method was suspended.

The reporting dates of the investee company and the Group are identical and the investee companies’ accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group’s investment in its associates and joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the associates and joint venture is impaired. If this is the case the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the impairment loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Group measures and recognizes any retaining investment at its fair value. Any difference between the carrying amount of the associates or joint venture upon loss of significant influence and the fair value of the retaining investment and proceeds from disposal is recognized in the consolidated statement of income.

The Group’s associates and joint venture accounted for using the equity method as of December 31 follows:

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership	
				March 2019	Dec. 2018
Associates:					
Hi-Eisai Pharmaceutical, Inc. (HEPI)	Philippines	Pharmaceutical	Philippine peso	50.00	50.00
La Funeraria Paz Sucat, Inc. (LFPSI)	Philippines	Funeral Service	Philippine peso	50.00	37.50
T’boli Agro-Industrial Development, Inc.	Philippines	Agriculture	Philippine peso	28.47	28.47
Manila Memorial Park Cemetery, Inc. (MMPC)	Philippines	Funeral Service	Philippine peso	25.98	25.98
Petroenergy Resources Corporation (PERC)	Philippines	Renewable energy	Philippine peso	28.36	22.41
RCBC Realty Corporation (RRC)	Philippines	Realty	Philippine peso	10.00	10.00
Al-Rushaid Construction Company Limited (ARCC)	Saudi Arabia	Construction	Saudi riyal	49.00	49.00
PetroSolar Corporation (PSOC)	Philippines	Renewable energy	Philippine peso	44.00	44.00
Joint venture:					
PetroWind Energy, Inc. (PWEI)	Philippines	Renewable energy	Philippine peso	20.00	20.00

On March 1, 2019, the Parent Company purchased additional 90,000 shares of LFPSI, for ₱25.0 million resulting to an increase in ownership interest from 37.50% to 50.0%.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation, amortization and impairment loss, if any, except for land which is carried at revalued amount based on the latest appraisal conducted by an independent appraisers. The appraisal increment resulting from the revaluation is treated as a separate component in the Group's equity.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance, are normally charged to operations in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment. When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as part of current operations.

Depreciation is computed using the straight-line method over the following average estimated useful lives (EUL):

	Years
Buildings and improvements	5 - 40
Machinery, tools and construction equipment	2 - 20
Transportation and service equipment	5
Furniture, fixtures and office equipment	3 - 5

Amortization of leasehold improvements is computed over the EUL of the improvement or term of the lease, whichever is shorter.

The useful lives and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment.

Minor repairs and maintenance costs are charged to consolidated statement of income as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, the cost or revalued amount, appraisal increase and related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are reflected in the consolidated statement of income.

Construction in progress represents property and equipment under construction and is stated at cost. This includes cost of construction, plant and equipment and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are completed and put into operational use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the year the asset is derecognized.

Upon disposal of land, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

The asset's residual values, useful lives and methods of depreciation and amortization are reviewed, and adjusted if appropriate, at each financial year-end.

Investment Properties

Investment properties are measured at cost less accumulated depreciation and impairment loss, if any, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met. Investment properties are depreciated on a straight-line basis over its estimated useful life of fifteen (15) to twenty years (20). Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment in value.

Investment properties are derecognized when they either have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Software Costs

Software costs are stated at cost less accumulated amortization and any impairment in value. Costs related to software purchased by the Group for use in the operations are amortized on a straight-line basis over a period of three (3) years.

Costs associated with developing and maintaining computer software programs are recognized as an expense when incurred. Costs that are directly associated with identifiable and unique software controlled by the Group and will generate economic benefits exceeding costs beyond one year, are recognized as intangible assets to be measured at cost less accumulated amortization and provision for impairment losses, if any.

Impairment of Nonfinancial Assets

For investments in associate and joint venture, property and equipment, investment properties and computer software costs, the Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that

would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case, the impairment is also recognized in equity up to the amount of any previous revaluation.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset including property and equipment while the qualifying asset is under construction are capitalized as part of the cost of that asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing of funds associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used. All other borrowing costs are expensed as incurred. However, if the carrying amount of the asset after capitalization of borrowing costs exceeds its recoverable amount, an impairment loss is recognized.

Business Combination and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognized in accordance with PAS 39 either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

PFRS 3 provides that if the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being

recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. Before recognizing a gain on a bargain purchase, the Group assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and recognize any additional assets or liabilities that are identified in that review.

Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

General and Administrative Expenses

The Group's general and administrative expenses constitute costs of administering the business. General and administrative expenses are recognized as incurred.

Foreign Currency-denominated Transaction and Translation

The consolidated financial statements are presented in Philippine Peso. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency closing rate at the reporting date. All differences are taken to consolidated statement of income. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rates as at the dates of initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippines Peso are translated into the presentation currency of the Parent Company (the Philippine Peso) at the closing rate as at the reporting date, and the consolidated statement of income accounts are translated at monthly weighted average exchange rate. Likewise, the the financials of the Group's associate whose functional currency is not the Philippine Peso that is accounted for under equity method are translated to the presentation currency of the Parent Company in a similar manner. The exchange differences arising on the translation are taken directly to a separate component of equity under "Cumulative translation adjustments" account.

Upon disposal of a foreign subsidiary, the deferred cumulative amount recognized in other comprehensive income relating to that particular foreign operation is recognized in the consolidated statement of income.

Retirement Cost

Defined benefit plan

The defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, if any, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reduction in the future contributions to the plan.

Defined benefit costs on the Group's defined benefit retirement plan are actuarially computed using the projected unit credit (PUC) valuation method. Under this method, the current service cost is the present value of retirement benefits payable in the future with respect to the services rendered in the current period.

Defined benefit costs comprise the following:

- (a) service cost;
- (b) net interest on the net defined benefit liability or asset; and
- (c) remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Income Tax

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and the tax laws used to compute the amount are those that are enacted or substantially enacted by the end of the financial reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carryforward of unused MCIT and NOLCO can be utilized.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries, associate and interest in joint venture. With respect to investments in foreign subsidiaries, associate and interest in joint venture, deferred tax liabilities are recognized except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed by the end of each financial reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be used. Unrecognized deferred tax assets are reassessed at the end of each financial reporting date and are recognized to the extent that it has become probable that future taxable profit will be available to allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the financial reporting date.

Deferred tax relating to items recognized outside profit or loss are recognized in correlation to the underlying transactions either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and deferred income taxes relate to the same entity and the same taxation authority.

Leases

Group as a lessee

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Group as a lessor

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Basic and Diluted Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the year attributable to equity holders of the Group adjusted for the after-tax amounts of dividends on preferred stock by the weighted average number of common stock outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits.

Diluted EPS is computed by adjusting the net income for the year attributable to equity holders of the Group and the weighted average number of common stock outstanding during the year after giving retroactive effect for any stock dividends, stock splits or reverse stock splits and adjusted for the effects of all dilutive potential common stock.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Stock Option Plan

No benefit expense is recognized relative to the shares issued under the stock options plan. When the shares related to the stock option plans are subscribed, these are treated as capital stock issuances. The stock option plan is exempt from PFRS 2, *Share-based Payment*.

Segment Reporting

The Group's operating business are organized and managed separately according to the nature of services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 30.

Capital Stock

The Group records common stocks at par value and additional paid-in capital in excess of the total contributions received over the aggregate par values of the equity shares. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds, net of tax. When the Group purchases the Group's capital stock (treasury shares), the consideration paid, including any attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects is included in equity (Note 21).

Retained Earnings

Retained earnings represent accumulated earnings of the Group and any adjustment arising from application of new accounting standards, policies or corrections of errors applied retroactively less dividends declared. The individual accumulated retained earnings of the subsidiaries are available for dividends when they are declared by the subsidiaries as approved by their respective BOD. Retained earnings are further restricted for the payment of dividends to the extent of the cost of treasury shares (Note 20).

Events After the Financial Reporting Date

Post year-end events that provide additional information about the Group's position at the end of the financial reporting date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

5. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which can cause the assumptions used in arriving at those estimates to change. The effects of any changes in estimates will be reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ for such estimates.

Judgment*Recognition of revenue from construction contracts*

Under the new revenue standard, PFRS 15, *Revenue from Contracts with Customers*, which the Group adopted starting January 1, 2018, the Group assessed that there is only one performance obligation for each construction agreement that it has entered and that revenue arising from such agreements qualify for recognition over time. The Group elected to use the input method to measure the progress of the fulfilment of its performance obligation, which is based on the actual costs incurred to date relative to the total estimated cost to complete the construction projects. The Group believes that this method faithfully depicts the Group's performance towards satisfaction of its performance obligation because there is a direct relationship between the Group's effort (i.e., costs incurred) and the transfer of service to the customer (Notes 3, 4 and 24).

Determination of significant influence on investment in an associate if ownership is less than 20%

Holding of less than 20% of voting rights is presumed not to give rise to significant influence unless it can be clearly demonstrated that there is in fact significant influence. The Parent Company is able to exercise significant influence for ownership less than 20% because it has an active participation in the policy-making process including operating decisions of the investee.

As of March 31, 2019 and December 31, 2018, the Group holds 10% of interest in RRC. The Group exercises significant influence in RRC since the Parent Company's President is the concurrent president of RRC. The president is also a member of the Board of Directors. As such, the president of the Parent Company effectively has a participation in the policy-making process of RRC. Hence, the Parent Company is able to exercise significant influence even if ownership is less than 20%.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimating variable considerations arising from change orders and claims

The Group frequently agrees to change orders that modify the scope of its work previously agreed with customers and regularly submits claims to customers when unanticipated additional costs are incurred because of delays or changes in scope caused by the customers. PFRS 15 requires the Group to recognize, as part of its revenue from construction contracts, the estimated amounts the Group expects to be entitled to and to be received from customers due to these change orders and claims (otherwise known as variable considerations), provided that it is highly probable that a significant reversal of the revenue recognized in connection with these variable considerations will not occur in the future. For these unpriced change orders and claims, the Group uses the “most likely amount” method to predict the amount to which it will be entitled and expected to be received from the customers.

The aggregate carrying values of receivables and contract assets arising from construction contracts amounted to ₱9.4 billion and ₱9.7 billion as of March 31, 2019 and December 31, 2018, respectively

Fair value measurement of unquoted equity investments at FVOCI

The Group uses valuation techniques such as discounted cash flow approach and adjusted net asset method with significant unobservable inputs to calculate the fair value of its unquoted equity investments at FVOCI. These inputs include revenue growth assumptions, discount rates, appraised value of real properties, among others. Changes in assumptions relating to these factors could affect the reported fair value of these unquoted equity financial instruments.

The fair value of unquoted equity investments amounted to ₱0.9 billion as of March 31, 2019 and December 31, 2018 (Note 11).

Provision for expected credit losses of trade receivables and contract assets

The Group uses the simplified approach in calculating the ECL of its trade receivables and contract assets wherein the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The model is based on the Group’s historical observed default rates and adjusted to include forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future.

As of March 31, 2019 and December 31, 2018, the aggregate carrying values of receivables and contract assets are disclosed in Notes 7, 8 and 16 to the consolidated financial statements.

Estimation of allowance for impairment of receivables

The Group maintains an allowance for impairment at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. For education segment, the evaluation factors will include the number of days the receivables is outstanding, year level of students and historical experience. For other segments the evaluation of collectability considers the length of the

Group's relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis or those with existing allowances needing reversals.

The carrying value of receivables are disclosed in Notes 7 and 16 to the consolidated financial statements.

Valuation of land under revaluation basis

The Group's parcel of land are carried at revalued amounts. The valuations of these parcels of land were performed by SEC accredited independent appraisers and were determined using the market approach. Significant adjustments to inputs used in determining the fair value of land such as location and utility could affect the appraised value of the assets.

Land carried under revaluation basis amounted to ₱7,023.4 million as of March 31, 2019 and December 31, 2018, respectively. The key assumptions used to determine the fair value of the parcels of land are disclosed in Note 13.

Provisions and contingencies

The Group is currently involved in various proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results. The Management does not believe that these proceedings will have a material adverse effect on the Group's financial statement because management and its legal counsels believe that the Group has substantial legal and factual bases for its position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (Notes 17).

Impairment of goodwill of Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)

The Group determines whether goodwill is impaired on an annual basis every December 31, or more frequently, if events or changes in circumstances indicate that it may be impaired. This requires an estimation of the recoverable amount, which is the higher of fair value less costs of disposal and value in use of the CGU to which the goodwill is attributed.

Estimating value in use requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. This estimate is based on the Group's past results and future expectations on cash flow from the CGU. However, there is no assurance that the Group will generate sufficient cash flow to associate that the goodwill will not be impaired in the future.

Management determined that the goodwill of Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.) amounting to ₱137.9 million as of March 31, 2019 and December 31, 2018 is not impaired (Note 14).

Estimation of retirement benefits

The determination of the obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates were disclosed in Note 31. While the Group believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

Retirement assets amounted to ₱24.9 million and ₱28.1 million as of March 31, 2019 and December 31, 2018, respectively whereas retirement liabilities amounted to ₱141.0 million and ₱148.6 million as of March 31, 2019 and December 31, 2018, respectively.

Deferred tax assets

The Group reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Where there is no absolute assurance that each legal entity in the Group will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized, deferred tax assets are not recognized.

6. Cash and Cash Equivalents

This account consists of:

	Unaudited March 2019	Audited December 2018
Cash on hand and in banks	₱1,328,958,502	₱1,465,704,010
Short-term investments	829,838,205	573,960,815
	₱2,158,796,707	₱2,039,664,825

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn annual interest at the respective short-term investment rates.

Interest income from cash in banks and short-term investments amounted to ₱8.22 million, ₱3.14 million and ₱14.96 million for the periods ended March 31, 2019, 2018 and 2017, respectively (Note 25).

7. Receivables

This account consists of:

	Unaudited March 2019	Audited December 2018
Trade		
Construction and infrastructure	₱4,069,741,841	₱3,157,748,969
Car dealership	631,521,531	813,294,034
Education and information technology	279,143,515	302,795,237
Other services	107,842,742	97,597,545
Other receivables		
Receivable from sale of investment properties	125,307,794	125,789,113
Receivable from EEI RFI (Notes 16 and 31)	55,000,000	55,000,000
Advances to officers and employees	20,992,968	54,704,876
Receivable from customers	52,196,000	65,201,427
Receivables from plant	53,985,883	52,527,813
Loans receivable - current	11,687,571	10,105,165
Rent receivable	630,389	721,798
Others	389,025,186	277,390,384
	5,797,075,420	5,012,876,361
Less allowance for impairment	217,546,901	232,855,171
	₱5,579,528,519	₱4,780,021,190

Trade receivables

The trade receivables are noninterest-bearing and collectible within one (1) year which consists of the following:

Receivable from construction and infrastructure

Receivables from construction and infrastructure mainly represent amounts arising from domestic construction contracts which are generally on a 30-day credit term. Prior to January 1, 2018, this account includes retention receivables which are recouped upon the lapse of defect and liability period and the receipt of customer certification that there are no defects on the constructed asset. After January 1, 2018, retention receivables to which the Group's right for consideration is conditioned on the lapse of the defect and liability period and the receipt of customer certification that there are no defects on the constructed asset are presented as part of the contract asset.

Receivables from car dealership

Receivables from car dealership represent amounts arising from the sale of car, parts and accessories and services collectible within 30 days.

Receivables from education and information technology

Receivables from education and information technology represent amounts arising from tuition and other fees generally collectible within 90 days and from computer and service sales collectible within 30 days.

Receivables from other services

Receivables from other services represent amounts arising from management and consultancy services provided by the Group generally collectible within 30 days.

No trade receivables were used as collaterals to secure obligations as of March 31, 2019 and December 31, 2018.

Other receivables

Loans receivable is composed of receivables of ZIFC with the following details:

	Unaudited March 2019	Audited December 2018
Time loan principals	₱26,940,301	₱27,217,114
Unearned discount and interest	(7,671,002)	(9,237,416)
	19,269,299	17,979,698
Less allowance for impairment	3,727,875	3,689,875
	₱15,541,424	₱14,289,823

Time loan principals are collectible in full at maturity date while interest is due monthly or at maturity. Annual interest rates range from 3% to 5% in 2019 and 2018. The term of the loan ranges from one (1) to five (5) years.

Details of receivables follow:

- a) As to secured and unsecured and type of security for secured loans

	Unaudited March 2019	Audited December 2018
Secured loans		
Chattel mortgage	₱7,059,190	₱6,289,961
Real estate mortgage	18,741,098	19,787,140
	25,800,288	26,077,101
Unsecured loans	1,140,013	1,140,013
	₱26,940,301	₱27,217,114

- b) As to maturity

	Unaudited March 2019	Audited December 2018
Maturing within one year	₱20,347,327	₱20,624,140
Maturing one year to five years	6,592,974	6,592,974
	₱26,940,301	₱27,217,114

The changes in individually assessed allowance for expected credit losses as at March 31 follow:

	Unaudited March 2019	Audited December 2018
Balance at beginning of year	₱3,689,875	₱3,869,959
Provision for impairment losses (Note 28)	55,400	468,422
Written-off	(17,400)	(648,506)
Balance at end of year	₱3,727,875	₱3,689,875

Receivable from sale of investment properties

On December 11, 2017, the Group sold a parcel of land located in Batangas for ₱466.7 million. Both parties agreed the selling price will be settled in eight (8) semi-annual installments and shall bear annual interest rate of 2%.

Receivable from EEI RFI pertains to the Group's sale of land to EEI RFI, a trustee of the Group's employee retirement fund in previous years. Both parties agreed the selling price will be repaid in installments and bear annual interest rate of 5%. In 2016, EEI and the Fund agreed to extend the term of the payment until April 30, 2021.

Receivable from customers

In 2017, trade receivables with gross value of ₱290.8 million (provided with allowance of ₱11.2 million) were reclassified to receivables from customers after the Group and the customers agreed to extend the credit terms. These receivables bear interest of 5% per annum and will be repaid in five (5) years' time.

Details of the abovementioned receivables follow:

	Unaudited March 2019	Audited December 2018
Receivable from sale of investment properties		
Current portion	₱125,307,794	₱125,789,113
Noncurrent portion (Note 16)	155,245,566	155,245,566
Receivable from EEI RFI		
Current portion	55,000,000	55,000,000
Noncurrent portion (Note 16)	78,000,000	78,000,000
Interest-bearing trade receivables		
Current portion	52,196,000	65,201,427
Noncurrent portion (Note 16)	78,611,574	88,307,263

Receivables from plant pertain to noninterest-bearing receivables from Honda Cars Philippines, Inc. and Isuzu Philippines Corporation, for promotional subsidy and fleet discounts. Receivables from plant are collectible within a year in the normal course of Group's business.

Advances to officers and employees are interest-bearing and repaid on a monthly basis through salary deductions.

Receivables classified as "Others" consist of interest, dividends, commission, insurance and various receivables.

8. Contract Assets and Liabilities

Contract Assets

The Group presents contract receivable and retentions withheld by customer as contract assets as the Group's right for consideration is conditioned on the lapse of the defect and liability period and the receipt of customer certification that there are no defects on the constructed asset. These are reclassified as receivables upon the lapse of the defect and liability period and final customer acceptance.

The Group's contract assets amounted to ₱5.77 billion and ₱6.12 billion as of March 31, 2019 and December 31, 2018, respectively. The increase in this account is largely caused by construction works already performed by EEI.

Details of the Group's contract assets as of March 31, 2019 are shown below (Note 16).

	Unaudited March 2019	Audited December 2018
Current	₱4,807,754,399	₱4,966,434,784
Noncurrent (Note 16)	963,050,982	1,150,463,395
	₱5,770,805,381	₱6,116,898,179

Contract Liabilities

Contract liabilities consist of down payments received in relation to construction contracts, unearned tuition fees and accounts payable to students that will be recognized as revenue in the future as the Group satisfies its performance obligations. Payables to students are advance collections from students to be applied to the next school year or school term December 31, 2018.

As at March 31, 2019 and December 31, 2018, contract liabilities amounted to ₱242.52 million and ₱314.95 million, respectively. These will be recognized as revenue in the following year. Contract liabilities as of January 1, 2018 amounting to ₱89.16 million were recognized as revenue in 2018. The increase in contract liabilities in 2018 is due to the increase in unearned tuition fees brought about by the change in start of school year from July to August which resulted to a one month unearned tuition fees as of December 31, 2018.

9. Inventories

This account consists of:

	Unaudited March 2019	Audited December 2018
Construction materials	₱1,113,959,264	₱1,163,219,906
Real estate:		
Land and land development	152,691,492	152,725,721
Subdivision lots and contracted units for sale	76,922,910	76,793,014
Raw lands	45,229,389	45,229,389
Merchandise	1,146,162,739	1,110,486,934
Spare parts and supplies	148,872,339	145,717,334
	₱2,683,838,133	₱2,694,172,298

The Group recognizes inventory write-down whenever the NRV of the existing inventories is lower than its cost.

The total cost of goods sold recognized in the Group's statements of comprehensive income amounted to ₱1,563.02 million, ₱1,827.74 million and ₱2,306.01 million in 2019, 2018 and 2017, respectively (Notes 26).

The rollforward of allowance for inventory obsolescence is as follows:

	Unaudited March 2019	Audited December 2018
Balances at beginning of year	₱96,442,347	₱70,874,400
Provisions (Note 28)	—	31,074,321
Reversals	—	(5,506,374)
Balances at end of year	₱96,442,347	₱96,442,347

The summary of the movement in real estate inventories is set out below:

	Unaudited March 2019	Audited December 2018
Balances at beginning of year	₱274,748,124	354,152,670
Construction/development costs incurred	95,667	16,671,157
Cost of real estate sales	–	(38,321,997)
Transfer to property and equipment (Note 13)	–	(57,753,706)
Balances at end of year	₱274,843,791	₱274,748,124

No inventories were pledged as security to obligations as of March 31, 2019 and December 31, 2018.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	Unaudited March 2019	Audited December 2018
Advances to suppliers and contractors	₱873,329,538	₱712,412,784
Creditable withholding taxes	366,097,164	367,387,252
Input value added tax (VAT)	134,068,973	74,084,987
Prepaid expenses	124,640,386	75,702,134
Miscellaneous deposits	89,731,542	86,958,456
Restricted cash investment	38,971,448	38,601,563
Advances to officers and employees	38,342,801	30,739,604
Prepaid taxes	25,241,886	9,759,208
Restricted funds	21,356,004	21,356,004
Unused office supplies	3,482,634	3,620,204
Others	49,996,261	48,156,881
	1,765,258,637	1,468,779,077
Less allowance for impairment	3,808,458	3,808,458
	₱1,761,450,179	₱1,464,970,619

Advances to suppliers and contractors represent down payment to subcontractors for the contract work to be performed and advance payment for the purchase of various construction materials and machineries and equipment items.

Prepaid expenses mainly include prepayments for membership fees, subscriptions, rentals and insurance, among others.

Miscellaneous deposits mainly represent the Group's refundable rental, utilities and guarantee deposits on various machinery and equipment items.

Input VAT represents taxes imposed to the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. This will be used against future output VAT liabilities or will be claimed as tax credits. Management has estimated that all input VAT is recoverable at its full amount.

Restricted funds significantly pertain to funds invested in money market placements exclusively for use in CWTS, NSTP, for financing of scholars of certain private entities and for the purpose of undertaking socio-economic studies and development projects.

11. Equity Investments at Fair value through Other Comprehensive Income (FVOCI)

This account consists of:

	Unaudited March 2019	Audited December 2018
Quoted equity investments	₱65,304,031	₱63,140,918
Unquoted equity investments	914,766,232	911,568,376
	₱980,070,263	₱974,709,294

Rollforward analysis of the account follow:

	Unaudited March 2019	Audited December 2018
Balance at beginning of year	₱974,709,294	₱449,585,193
Impact of adoption of PFRS 9	—	509,719,202
Additions	—	22,877,650
Reclassification/Write-off	—	(37,500)
Fair value changes recognized in other comprehensive income	5,360,969	(7,435,251)
	₱980,070,263	₱974,709,294

In 2018, the Group invested additional ₱22.4 million in PetroGreen Energy Corporation (PGEC). This transaction did not result to a change in the Group's 10% equity interest in PGEC.

Movements in the fair value reserve recognized in other comprehensive income are as follows:

	Unaudited March 2019	Audited December 2018
Attributable to equity holders of the parent:		
Balance at beginning of year	₱259,855,707	₱87,185,459
Income recognized in OCI	1,233,297	167,502,355
Impact of adoption of PFRS 9	—	5,167,893
Balance at end of year	261,089,004	259,855,707
Non-controlling interests:		
Balance at beginning of year	202,090,420	6,063,829
Income recognized in OCI	929,818	193,759,233
Impact of adoption of PFRS 9	—	2,267,358
Balance at end of year	203,020,238	202,090,420
	₱464,109,242	₱461,946,127

The unquoted equity investments consist of shares of the following nonlisted companies:

	Unaudited March 2019	Audited December 2018
PetroGreen Energy Corporation	₱487,114,444	₱483,916,588
Hermosa Ecozone Development Corporation	404,918,702	404,918,702
Brightnote Assets Corporation	10,677,732	10,677,732
Sta. Elena Properties	7,680,033	7,680,033
Subic Power Corporation	—	—
Others	4,375,321	4,375,321
	₱914,766,232	₱911,568,376

The Group elected to present the fair value changes of all its equity investments in other comprehensive income because it does not intend to hold these investments for trading.

PetroGreen Energy Corporation (PGEC)

The fair value of the Group's investment in PGEC is determined by an independent third party professional services firm using the discounted cash flow model. The valuation requires certain assumptions to be made, such as forecast cash flows, the discount rate, among others (Note 37).

Hermosa Ecozone Development Corporation (HEDC)

The fair value of the Group's investment in HEDC is determined using the adjusted net asset approach wherein the assets of HEDC consisting mainly of parcels of land are adjusted from cost to their fair value. The valuation was performed by an independent SEC-accredited appraiser as of December 31, 2018.

Dividends earned from equity investments at FVOCI amounted to ₱0.6 million in 2018.

In 2017, the Group invested an additional ₱20.87 million in PGEC. This transaction did not result to a change in the Group's 10% equity interest in PGEC as the other PGEC investors were also required by the investee to make additional investments proportionate to their ownership interest.

No equity investments at fair value through other comprehensive income (FVOCI) were pledged as security to obligations as of March 31, 2019 and December 31, 2018.

12. Investments in Associates and Joint Venture

The rollforward analysis of this account follows:

	Unaudited March 2019	Audited December 2018
Acquisition cost		
Balances at beginning	₱4,622,763,779	₱4,114,397,589
Additions	50,126,160	508,366,190
Reclassification	—	—
Balance at end of year	4,672,889,939	4,622,763,779
Accumulated impairment loss	74,536,609	74,536,609
Accumulated equity in net earnings		
Balance at beginning of year	742,132,503	642,289,767
Prior year adjustments	(6,593,922)	—
Equity in net earnings	187,866,801	255,783,370
Dividends received	(44,499,978)	(155,940,634)
Balance at end of year	878,905,404	742,132,503
Subtotal	5,477,258,734	5,290,359,673
Share in other comprehensive income of an associate	64,571,875	64,571,875
Cumulative translation adjustment	158,984,178	151,023,452
	₱5,700,814,787	₱5,505,955,000

In 2017, the stockholders of ARCC extended advances amounting to ₱1,620.8 million (SAR121.75 million) to ARCC to refinance the associate's maturing bank loan and other funding requirements. The amount of the extended loan is proportionate to the ownership interests of the stockholders. Subsequently, the stockholders agreed to treat the SAR121.75 million loan as non-refundable Shareholders' funding in the statement of equity of ARCC. Consequently, the

₱794.2 million (SAR59.66 million) advances extended by the Company to ARCC was reclassified as additional investment in ARCC.

PSC

In 2015, EEI purchased 3.7 million shares from PSOC amounting to ₱366.43 million which resulted to 44% ownership. PSOC has a 50 megawatt solar farm in Tarlac City.

In 2018, EEI made an additional investment of ₱175.8 million in PSC. This transaction did not result to a change in the 44% ownership of EEI over PSOC.

PWEI

In 2013, EEI Power acquired 20% stake in PWEI for ₱118.75 million. PWEI has a wind energy project in Nabas, Aklan.

PWEI is owned 40% by PERC, 40% by BCPG Wind Cooperatief U.A. and 20% by EEI. BCPG Wind Cooperatief U.A. bought out the other shareholder (CapAsia ASEAN Wind Holdings Cooperatief U.A.) on May 16, 2017.

The Parent Company's effective interest in PSC and PWEI is 41.26% and 23.26%, respectively.

PERC

The shares of capital stock of PERC are listed with Philippine Stock Exchange. On February 2, 2018, the Parent Company purchased additional 69,285,418 shares amounting for ₱332.6 million on 4.8 per share resulting to an increase in ownership interest from 22.41% to 28.36%.

As of March 31, 2019 and December 31, 2018, no investments in associates were pledged as security to obligations (Notes 18 and 19).

13. Property and Equipment

Property and equipment at revalued amount

Movements in the revalued land are as follows:

	Unaudited March 2019	Audited December 2018
Balance at beginning of year	₱7,023,425,494	₱6,312,509,812
Additions:		
Acquisition	—	240,334,088
Appraisal increase	—	470,581,594
Balance at end of year	₱7,023,425,494	₱7,023,425,494

The Parent Company owns a parcel of 7,304 sqm land located in Quezon Avenue, Quezon City wherein the first Honda car dealership showroom was erected.

Property and equipment at cost

The rollforward analysis of this account follows:

	Unaudited March 2019	Audited December 2018
At Cost		
Land, Buildings and Improvements	₱4,637,268,792	₱4,290,357,917
Machinery, Tools and Construction Equipment	5,550,022,429	6,204,616,227
Furniture, Fixtures and Office Equipment	2,220,353,481	2,658,177,122
Transportation and Service Equipment	2,079,416,742	1,389,379,772
	14,487,061,444	14,542,531,038
Less: Accumulated Depreciation	(7,317,800,898)	(7,100,985,126)
	7,169,260,546	7,441,545,912
Construction in Progress	320,524,347	89,872,543
Net book value at Cost	₱7,489,784,893	₱7,531,418,455

Construction in progress mainly includes the general cost of construction of MCI's school building in Makati City and other direct cost.

14. Goodwill

The carrying amount of goodwill allocated to each of the CGUs follows:

	Unaudited March 2019	Audited December 2018
EEI Corporation and Subsidiaries	₱300,859,305	₱300,859,305
Malayan Colleges, Inc.	137,853,346	137,853,346
iPeople, inc.	32,644,808	32,644,808
	₱471,357,459	₱471,357,459

Goodwill of EEI Corporation and Subsidiaries and iPeople, Inc. (iPeople)

Management determined that the recoverable amount of the goodwill balances of EEI Corporation and Subsidiaries and iPeople were fair values less costs of disposal wherein the fair values are the quoted prices of the shares of stocks of EEI Corporation and Subsidiaries and iPeople in the Philippine Stock Exchange as of December 31, 2018 and incorporated control premium in the said fair values (Level 3 – Significant unobservable inputs). Management assessed that the costs of disposal, which mainly consist of the stock transaction tax, brokers' commission and transaction fee with the stock exchange to be insignificant.

Goodwill of Malayan Education System, Inc. (MESI) (formerly Malayan Colleges, Inc.)

Key assumptions used in the value in use (VIU) calculation

As at December 31, 2018 and 2017, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenues, profit margins and revenue growth rates: Cash flow projections based on financial budgets approved by management covering a five-year period (2019-2023) and considers the impact of the Enhanced K+12 Basic Education Program on MESI's financial performance effective 2016.
- Long-term growth rates (3.74% for 2018 and 5.25% for 2017): The long-term growth rate is expected growth rate in the education industry sector.

- Discount rate (10.98% for 2018 and 9.06% for 2017): The discount rate used for the computation of the net present value is the weighted average cost of capital and was determined by reference to Parent Company's capital structure.

Sensitivity to changes in assumptions

Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of goodwill to materially exceed its recoverable amount.

15. Investment Properties

The rollforward analysis of this account follows:

	Unaudited March 31, 2019		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱17,399,238	₱ 4,742,917	₱ 22,142,155
Additions	—	—	—
Disposals	—	—	—
Balances at end of year	17,399,238	4,742,917	22,142,155
Accumulated Depreciation			
Balances at beginning of year	—	3,985,137	3,985,137
Additions	—	4,375	4,375
Disposals	—	—	—
Balances at end of year	—	3,989,512	3,989,512
Net Book Value	₱17,399,238	₱753,405	₱18,152,643

	As at December 31, 2018		
	Land Held for Capital Appreciation	Condominium Units and Parking Slots	Total
Cost			
Balances at beginning of year	₱13,680,421	₱11,759,375	₱25,439,796
Additions	—	3,250,000	3,250,000
Impairment loss	(1,800,309)	—	(1,800,309)
Reclassification	7,000,000	—	7,000,000
Disposals	(1,480,874)	(10,266,458)	(11,747,332)
Balances at end of year	17,399,238	4,742,917	22,142,155
Accumulated Depreciation			
Balances at beginning of year	—	6,724,293	6,724,293
Depreciation (Note 29)	—	346,234	346,234
Disposals	—	(3,085,390)	(3,085,390)
Balances at end of year	—	3,985,137	3,985,137
Net Book Value	₱17,399,238	₱757,780	₱18,157,018

Investment properties represent various parcels of land, condominium units and parking slots held for capital appreciation and rental, respectively.

The fair value of the land and condominium units and parking slots was arrived at using the Market Data Approach. In this approach, the value of the land and condominium units and parking slots are based on sales and listings of comparable properties registered within the vicinity.

The land was valued in terms of their highest and best use which is categorized under Level 3 of the fair value hierarchy. There was no transfer between levels of fair value measurement in 2019 and 2018.

None of the investment properties were pledged as a security to obligations as of March 31, 2019 and December 31, 2018.

16. Other Noncurrent Assets

This account consists of:

	Unaudited March 2019	Audited December 2018
Contract asset- net of current portion (Note 8)	₱963,050,982	₱1,150,463,395
Right-of-Use asset (PFRS 16)	555,230,855	—
Deferred input VAT	186,804,300	215,311,643
Receivable from sale of investment property - net of current portion (Note 7)	155,245,566	155,245,566
Deposit for future subscription of shares of stock of BiotechJP Corp.	80,999,919	80,999,919
Receivable from customers - net of current portion (Note 7)	78,611,574	88,307,263
Receivable from EEI-RFI - net of current portion (Notes 7)	78,000,000	78,000,000
Computer software	14,005,838	14,298,226
Prepaid taxes	8,632,227	9,759,208
Others	39,482,603	24,881,807
	₱2,160,063,864	₱1,817,267,027

Deposit for Future Subscription of Shares of Stock of BiotechJP Corp.

In November 2018, EEI Corporation deposited ₱81.0 million with BiotechJP Corp. in exchange for 60% ownership in the latter. BiotechJP Corp. is in the business of manufacturing food and therapeutic food. Management is in the position that the Company has not obtained control over BiotechJP in 2018 because the Company can only exercise its right as a stockholder owning 60% equity interest in BiotechJP upon receipt of the shares of capital stock of the investee. As of April 5, 2019, the Company has not yet received the shares of capital stock and has no participation in the management of BiotechJP.

Rollforward of computer software follows:

	Unaudited March 2019	Audited December 2018
Cost		
Balance at the beginning of the year	₱131,540,217	₱123,869,766
Additions	1,312,688	7,670,451
Balance at the end of the year	132,852,905	131,540,217
Accumulated Amortization		
Balance at the beginning of the year	117,241,991	110,393,578
Amortization (Note 29)	1,605,076	6,848,413
Balance at the end of the year	118,847,067	117,241,991
Net Book Value	₱14,005,838	₱14,298,226

17. Accounts Payable and Accrued Expenses

This account consists of:

	Unaudited March 2019	Audited December 2018
Accounts payable	₱5,655,293,012	₱5,414,465,593
Deferred output taxes	477,791,077	744,845,437
Accrued expenses	308,599,889	176,520,142
Provisions	153,558,082	153,558,082
Output tax payable	112,736,286	87,109,634
Withholding taxes and others	59,054,683	99,678,224
Dividends payable	14,597,665	23,071,231
Subscriptions payable	13,125,000	27,482,213
Chattel mortgage payable	10,500,491	13,654,776
SSS and other contributions	9,428,839	5,984,466
Deferred income	3,258,712	3,873,163
Payable to Land Transportation Office	3,176,214	5,390,644
Others	33,044,498	39,157,878
	₱6,854,164,448	₱6,794,791,483

Accounts payable pertains to the Group's obligation to local suppliers. The normal trade credit terms of accounts payable and accrued expenses of the Group are expected to be settled within the next twelve (12) months.

Subscriptions payable represents unpaid subscriptions on equity securities.

Accrued expenses consist of:

	Unaudited March 2019	Audited December 2018
Accrued salaries and wages	₱106,415,101	₱57,446,450
Accrued insurance	33,720,553	28,100,852
Accrued interest	18,396,440	24,370,643
Accrued security services	10,758,238	17,440,334
Accrued utilities	8,034,157	4,063,613
Accrued professional fees	4,413,771	4,026,484
Others	126,861,629	41,071,766
	₱308,599,889	₱176,520,142

Other noncurrent liabilities consist of:

	Unaudited March 2019	Audited December 2018
Lease liability (PFRS 16 Adoption)	₱610,454,055	₱—
Deferred output vat - net of current portion	142,164,038	142,164,039
	₱752,618,093	₱142,164,039

18. Loans Payable

This account consists of:

	Unaudited March 2019	Audited December 2018
Loans payable (Note 21)		
Unsecured bank loans	₱9,534,000,000	₱8,979,000,000
Secured bank loans	1,559,900,000	1,540,000,000
	₱11,093,900,000	₱10,519,000,000

Unsecured

Unsecured bank loans are obtained from local banks and related party financial institutions with annual interest rates ranging from 3.00% to 6.50% and 3.00% to 6.13% in 2019 and 2018, respectively.

Secured

In 2017, the Group, through MCMI, obtained a short-term loan (STL) facility with BPI, which was earmarked from the long-term loan facility of the Group from same bank, to finance the construction of MCMI's school building. Each STL facility may be re-availed/renewed/extended within a period of one year provided that the sum of the terms of re-availements/renewal/ extension will not exceed 360 days. The STL facility may be converted into a 10-year term loan facility which shall be partially secured by the real estate mortgage on the real property of MCMI. The STL facility is secured by the Continuing Suretyship Agreement of MESI.

In November and December 2018, the Group, through MCMI, obtained short-term loans from Land Bank of the Philippines amounting to ₱110.00 million, with annual interests ranging from of 5.60% to 6.25%.

Movements in loans payable during the quarter ended March 31 follow:

	Unaudited March 2019	Audited December 2018
Beginning balance	₱10,519,000,000	₱7,685,000,000
Availment	4,084,900,000	17,624,000,000
Payments	(3,510,000,000)	(14,790,000,000)
Ending balance	₱11,093,900,000	₱10,519,000,000

19. Long-term Debt

This pertains to the long-term debt of the following companies:

	Unaudited March 2019	Audited December 2018
<i>Parent Company</i>		
Peso-denominated five (5) year term loan, payable in twenty (20) equal quarterly installments starting March 2016 with interest of 5.11% per annum	175,000,000	200,000,000
<i>EEI</i>		
Fixed-rate corporate promissory notes with interest rate of 4.80% per annum	2,107,142,857	2,327,380,953
<i>EEI Power</i>		
Peso-denominated seven (7) year term loan, payable in equal quarterly installments and will mature on August 27, 2022 with interest of 4.80% per annum.	250,000,000	267,857,143
	2,532,142,857	2,795,238,096
Less current portion of long-term debt	1,052,380,952	774,603,175
	₱1,479,761,905	₱2,020,634,921

Parent Company

On December 16, 2015, the Parent Company acquired from BPI loan amounting ₱500.0 million, payable within five (5) years. The proceeds of the loan were used for general financing requirements and working capital purposes.

EEI

In 2014, EEI received ₱500.0 million proceeds from the issuance of unsecured fixed-rate corporate promissory notes to a local bank that bear annual interest of 5.2%. Subsequently, the bank reduced the interest rate to 4.8% starting May 26, 2015 until maturity. The promissory notes mature within seven (7) years from the date of issuance.

On June 15, 2015, EEI received ₱1,000 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.8%. The promissory note matures within seven (7) years from the date of issuance.

On May 23, 2018, The Parent Company received ₱2,000 million proceeds from the issuance of an unsecured fixed-rate corporate promissory note to a local bank that bears annual interest of 4.8%. The promissory note matures within five (5) years from the date of issuance.

The proceeds from the promissory notes were used for general corporate and project financing requirements.

EEI Power Corporation

On August 28, 2015, EEI Power availed a ₱500.0 million long-term loan from a local bank that bears an annual interest of 4.8%. The loan is payable in equal quarterly installments and will mature on August 27, 2022.

Movements in the account follow:

	Unaudited March 2019	Audited December 2018
Balance at beginning of year	₱2,795,238,096	₱2,671,946,814
Availments	277,777,777	1,815,476,190
Payments	(540,873,016)	(1,703,608,058)
Amortization of transaction costs	—	11,423,150
Balance at end of year	2,532,142,857	2,795,238,096
Less current portion	(1,052,380,952)	(774,603,175)
	₱1,479,761,905	₱2,020,634,921

The aforementioned loans require the Group to maintain certain financial ratios. As of March 31, 2019 and December 31, 2018, the Group was in compliance with the loan covenants.

20. Retained Earnings

On December 7, 2018, the Board approved the appropriation of ₱2.1 billion from the Company's retained earnings for property development projects up to 2021.

Retained earnings include ₱2,882.3 million and ₱2,632.1 million as of March 31, 2019 and December 31, 2018, respectively, representing treasury shares, appropriated retained earnings and deferred tax assets that are not available for dividend declaration. After reconciling items, the retained earnings of the Parent Company that are available for dividend declaration amounted to ₱849.5 million ₱812.4million as of March 31, 2019 and December 31, 2018, respectively. Dividend distribution is approved by the BOD.

Under the Tax Code, publicly-held Corporations are allowed to accumulate retained earnings in excess of capital stock and are exempt from improperly accumulated earnings tax.

Restrictions

The Group's retained earnings include accumulated earnings of subsidiaries, associate and joint venture amounting to ₱6,610.1 million and ₱6,286.1 million as of March 31, 2019 and December 31, 2018, respectively, not declared as dividends to the Group. Accordingly, these are not available for dividend declaration.

As of March 31, 2019, Group's retained earnings is restricted to payment of dividends to the extent of the cost of shares held in treasury amounting to ₱2.6 million.

21. Capital Stock

The authorized preferred stock is 2,500,000,000 shares at ₱0.40 par value. A reconciliation of the number of preferred shares outstanding as at March 31, 2019, December 31, 2018 and 2017 follows:

	2019		2018		2017	
	Amount	Shares	Amount	Shares	Amount	Shares
Beginning of the year	₱247,414,156	634,395,272	₱253,758,109	634,395,272	₱280,802,820	702,007,052
Redemption of preferred stock	—	—	(6,343,953)	(15,859,885)	(27,044,711)	(67,611,780)
Conversion of preferred stock to common stock	—	—	—	—	—	—
	₱247,414,156	618,535,387	₱247,414,156	618,535,387	₱253,758,109	634,395,272

The authorized common stock is 1,250,000,000 shares at ₱1.50 par value. A reconciliation of the number of common shares outstanding as at March 31, 2019 and December 31, 2018 and 2017 follows:

	2019		2018		2017	
	Amount	Shares	Amount	Shares	Amount	Shares
Beginning of the year	₱924,444,172	616,296,114	₱924,444,172	616,296,114	₱924,444,172	616,296,114
Conversion of preferred stock to common stock	—	—	—	—	—	—
	924,444,172	616,296,114	924,444,172	616,296,114	924,444,172	616,296,114
Treasury stock	(2,607,600)	(300,000)	(2,607,600)	(300,000)	(2,607,600)	(300,000)
	₱921,836,572	615,996,114	₱921,836,572	615,996,114	₱921,836,572	615,996,114

Details of the capital redemption and conversion follow:

Date of Redemption	Amount		Record Date	Payment Date
April 6, 2018	₱6,343,953	₱0.40	May 3, 2018	May 30, 2018
March 31, 2017	₱7,020,070	₱0.40	April 28, 2017	May 21, 2017
July 21, 2017	6,844,569	0.40	August 18, 2017	September 12, 2017
September 29, 2017	6,673,454	0.40	October 27, 2017	November 24, 2017
December 8, 2017	6,506,618	0.40	January 4, 2018	January 30, 2018
	₱27,044,711			

The Parent Company's preferred shares have the following features:

- a) Entitled to dividends at the rate of average 91-day T-Bill plus two percent;
- b) Fully participating as to distribution of dividends;
 - a. Convertible into common shares at the option of the holders thereof from the date of issue at the conversion rate of 3 and 3/4 preferred shares to 1 common share for a price of ₱1.50 per common share subject to adjustments;
- c) Redeemable at any one time or from time to time, at the option of the BOD of the Parent Company, subject to availability of funds; and
- d) With voting rights and preferences as to assets upon dissolution of the Parent Company over common shareholders.

Below is the summary of the outstanding number of shares and holders of security as at March 31, 2019:

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities
Preferred shares:				
January 1, 2017	702,007,052			48
Movement:	(17,550,176)	0.40	March 31, 2017	
	(17,111,422)	0.40	July 21, 2017	
	(16,683,636)	0.40	September 29, 2017	
	(16,266,546)	0.40	December 8, 2017	
December 31, 2017	634,395,272			48
Movement	(15,859,885)	0.40	April 6, 2018	
December 31, 2018	618,535,387			
No Movement	—			
March 31, 2019	618,535,387			48

Year	Number of shares registered	Issue/offer price	Date of approval	Number of holders of securities
Common Shares:				
January 1, 2018	615,996,114			402
Conversion	—	—		
December 31, 2018	615,996,114			386
No Movement	—	—		
March 31, 2019	615,996,114			383

SEC approved the registration of the Parent Company's authorized capital stock before its listing date with the PSE, which was on July 2, 1962. The actual number of shares initially listed were 584,085 at an offer price of ₱10.0 per share. Total number of preferred and common shareholders was 48 and 383, respectively, as of March 31, 2019 and 48 and 386, respectively, as of December 31, 2018.

22. Cash Dividends

Cash Dividends

The BOD declared cash dividends as follows:

Date of BOD Approval	Amount	Amount per share		Record Date	Payment Date
		Preferred Shares	Common Shares		
April 5, 2019	₱4,688,498	₱0.008	₱—	May 2, 2019	May 29, 2019
April 6, 2018	₱2,949,050	₱0.005	₱—	May 3, 2018	May 29, 2018
July 20, 2018	3,342,256	0.005	—	August 16, 2018	September 11, 2018
July 20, 2018	50,758,966	0.017	0.065	August 16, 2018	September 11, 2018
September 28, 2018	3,273,289	0.005	—	October 25, 2018	November 21, 2018
December 18, 2018	4,449,125	0.007	—	January 11, 2019	February 6, 2019
	₱64,772,686				
March 31, 2017	₱2,915,295	₱0.004	₱—	April 28, 2017	May 21, 2017
July 21, 2017	51,901,385	0.017	0.065	August 18, 2017	September 12, 2017
July 21, 2017	2,878,826	0.004	—	August 18, 2017	September 12, 2017
September 29, 2017	2,756,804	0.004	—	October 27, 2017	November 24, 2017
December 12, 2017	2,616,311	0.004	—	January 4, 2018	January 29, 2018
	₱63,068,621				

23. Earnings Per Share

Basic and diluted earnings per share amounts attributable to equity holders of the Group are computed as follows:

Unaudited basic earnings per share

	January to March 31		
	2019	2018	2017
Net income attributable to equity holders of parent company	₱391,123,303	₱324,474,680	₱404,614,454
Less dividends attributable to preferred shares (Note 21)	—	—	2,915,295
Net income applicable to common shares	391,123,303	324,474,680	401,699,159
Divided by the weighted average number of common shares	615,996,114	615,996,114	615,996,114
Basic earnings per share	₱0.6349	₱0.5267	₱0.6521

Unaudited diluted earnings per share

	January to March 31		
	2018	2017	2016
Net income applicable to common shares	₱391,123,303	₱324,474,680	₱401,699,159
Add dividends attributable to preferred shares	—	—	2,915,295
Net income applicable to common shares for diluted earnings per share	391,123,303	324,474,680	404,614,454
Weighted average number of common shares	615,996,114	615,996,114	615,996,114
Dilutive shares arising from convertible preference shares	164,942,770	169,172,073	182,521,834
Weighted average number of common shares for diluted earnings per share	780,938,884	785,168,187	798,517,948
Diluted earnings per share	₱0.5008	₱0.4133	₱0.5067

24. Revenue from Contracts with Customers

Set out below is the disaggregation of the Group's revenue from contracts with customers for the quarter ended March 31, 2019, 2018 and 2017:

	January to March 31		
	2019	2018	2017
Revenue from construction contracts	₱5,112,609,172	3,904,852,760	₱3,433,239,282
Sales of goods	1,714,044,684	1,945,425,875	2,443,370,847
Sales of services	634,362,258	584,554,052	486,183,503
Schools and related operations	538,752,892	470,197,047	521,451,858
	₱7,999,769,006	₱6,905,029,734	₱6,884,245,490

25. Other Income

This account consists of:

	January to March 31		
	2019	2018	2017
Interest income	₱16,267,731	₱12,250,366	₱ 24,014,332
Dividend income	12,234,140	650,000	—
Rental income	3,592,760	4,150,891	3,321,332
Insurance income	2,966,069	5,058,168	3,608,755
Gain on sale from property and equipment	1,393,556	932,162	638,490
Tax refund/discount	631,436	58,732	2,767,710
Gain on sale from investment property	—	1,804,343	841,691
Finance income	—	8,052,956	30,832,125
Gain on redemption of preferred stock	—	—	23,647,500
Income from reversal of payables	—	1,077,340	46,411,776
Income from defaults	—	—	—
Administrative fee	—	1,511,336	28,662,503
Foreign exchange gain (loss)	(14,673,008)	42,574,888	2,325,758
Miscellaneous	16,126,790	12,453,095	12,733,223
	₱38,539,474	₱90,574,277	₱179,805,195

Administrative fee pertains to fees received by the Parent Company as compensation for the services they performed as a third party for the processing of bills of PLDT, SMART and regular purchases of its affiliates in the Yuchengco Group of Companies (YGC). In 2018, administrative fees were recognized under revenue from contracts with customers.

Interest income consists of income from:

	January to March 31		
	2019	2018	2017
Cash in banks and short-term investments	₱8,215,695	₱3,143,398	₱14,955,819
Installment contract receivable	4,734,836	5,422,562	6,196,388
Receivable from related parties	1,754,127	385,440	30,578
Receivable from EEI-RFI	1,484,375	1,986,607	2,488,839
Others	78,698	1,312,359	342,708
	₱16,267,731	₱12,250,366	₱24,014,332

Miscellaneous include income from sale of sludge and used oil, rebate from purchase of fuel, and share in savings from utility companies.

26. Costs of Sales and Services

This account consists of:

	January to March 31		
	2019	2018	2017
Cost of services (Note 28)			
Cost of construction contracts	₱4,436,843,370	₱3,458,356,559	₱2,975,877,601
Cost of manpower and other services	428,244,064	387,475,066	337,968,117
	4,865,087,434	3,845,831,625	3,313,845,718
Cost of goods sold			
Cost of merchandise sold (Note 27)	1,563,018,859	1,827,736,544	2,306,010,607
Cost of real estate sold	4,700,143	4,103,033	7,519,747
	1,567,719,002	1,831,839,577	2,313,530,354
Cost of school and related operations (Note 27)	331,327,785	302,653,531	308,542,695
	₱6,764,134,221	₱5,980,324,733	₱5,935,918,767

27. Costs of Merchandise Sold

This account consists of:

	January to March 31		
	2019	2018	2017
Inventory, beginning	₱938,860,359	₱809,783,825	₱1,204,021,355
Purchases	3,060,509,998	1,956,813,078	2,078,730,125
Total goods available for sale	3,999,370,357	2,766,596,903	3,282,751,480
Less inventory end	2,436,351,498	938,860,359	976,740,873
	₱1,563,018,859	₱1,827,736,544	₱2,306,010,607

28. Costs of Services

This account consists of:

	January to March 31		
	2019	2018	2017
Cost of construction contracts			
Labor	₱2,105,250,535	₱1,275,442,091	₱1,247,587,973
Materials	1,233,878,467	538,092,293	636,544,357
Equipment costs and others	1,006,059,635	1,518,269,221	962,491,885
Depreciation and amortization	91,654,733	126,552,954	129,253,386
	4,436,843,370	3,458,356,559	2,975,877,601
Cost of manpower and other services			
Personnel expenses	188,728,273	186,513,626	151,257,876
Materials	113,707,206	107,472,872	58,394,125
Parts and accessories	82,238,310	71,450,239	107,173,690
Depreciation and amortization	120,654	179,643	181,730
Others	43,449,621	21,858,686	20,960,696
	428,244,064	387,475,066	337,968,117
	₱4,865,087,434	₱3,845,831,625	₱3,313,845,718

29. Tuition and other fees

This amount consists of:

	January to March 31		
	2019	2018	2017
Personnel expenses	₱158,489,666	₱148,429,458	₱143,726,844
Depreciation and amortization	50,477,676	49,435,516	47,396,503
Management and other professional fees	30,476,210	27,141,405	26,927,517
Student-related expenses	23,149,118	22,979,733	39,355,481
Utilities	21,672,563	19,143,394	19,968,566
IT expense - software license	9,839,390	7,964,233	5,659,086
Tools and library books	9,196,018	7,049,196	3,956,010
Periodicals	5,856,365	4,169,070	5,183,136
Research and development fund	4,448,674	1,450,090	1,850,628
Repairs and maintenance	4,115,537	3,694,595	3,095,965
Advertising	3,579,378	1,708,889	286,526
Insurance	2,064,906	1,291,398	1,765,949
Seminar	2,010,153	2,136,895	3,291,865
Office supplies	1,880,308	1,764,382	1,452,813
Accreditation cost	1,327,049	2,396,617	1,710,538
Laboratory supplies	861,915	615,638	1,394,737
Taxes and licenses	774,326	492,957	625,847
Transportation and travel	335,715	203,022	229,536
Entertainment, amusement and recreation	320,097	138,841	118,546
Rent	54,850	38,850	94,900
Miscellaneous	397,871	409,352	451,702
	₱331,327,785	₱302,653,531	₱308,542,695

30. General and Administrative Expenses

This account consists of:

	January to March 31		
	2019	2018	2017
Personnel expenses	₱250,361,744	₱250,617,389	₱222,606,074
Depreciation and amortization	66,998,331	49,137,799	46,523,466
Taxes and licenses	56,717,486	41,166,705	29,811,273
Rent, light and water	42,354,898	59,744,947	57,298,923
Advertising and promotions	29,175,159	20,397,582	27,773,176
Transportation and travel	20,634,714	21,382,503	16,130,000
Professional fees	14,728,008	16,930,633	16,156,766
Securities and utilities	13,764,236	13,321,023	11,018,357
Repairs and maintenance	12,788,009	6,910,146	7,761,977
Entertainment, amusement and recreation	11,533,516	11,237,080	19,870,659
Management and other fees	9,203,404	8,652,923	9,636,062
Direct expenses	9,172,793	7,101,693	11,822,804
Insurance	5,464,935	3,327,213	5,156,003
Commissions	4,811,667	7,042,743	6,939,774
Office expenses	4,747,857	5,150,803	6,215,950
Seminars	3,827,366	767,786	431,328
Donations and contributions	—	350,073	51,944
Accreditation cost	—	10,000	—

Forward

	January to March 31		
	2019	2018	2017
Provision (recovery) for inventory obsolescence	—	(800,000)	(860,000)
Provision for probable losses	(19,685,606)	313,343	(952,928)
Miscellaneous	33,906,255	38,204,839	31,730,171
	₱570,504,772	₱560,967,223	₱525,121,779

Miscellaneous expense includes dues and subscriptions, periodicals, training and seminar, bank charges, legal and notarial fees and other contracted services.

31. Depreciation and amortization

This account consists of:

	January to March 31		
	2019	2018	2017
Cost of construction contracts (Note 28)	₱91,654,733	₱126,552,954	₱129,253,386
General and administrative expenses (Note 30)	66,998,331	49,137,795	46,523,466
Cost of school and related operations (Note 29)	50,477,676	49,435,516	47,396,503
Cost of manpower and other services (Note 28)	120,654	179,643	181,730
	₱209,251,394	₱225,305,908	₱223,355,085

32. Interest and Finance Charges

This account consists of:

	January to March 31		
	2019	2018	2017
Loans payable	₱162,657,610	₱53,968,294	₱28,946,925
Long-term debt	13,889,550	27,495,508	36,407,356
Interest on Lease liabilities	11,125,746	—	—
Advances to affiliates and other finance charges	1,114,690	681,205	42,640
	₱188,787,596	₱82,145,007	₱65,396,921

33. Contingencies and commitments

Contingencies

Provisions and Contingencies

The Group is involved in certain claims arising from the ordinary conduct of business which are either pending decision by the courts or are being contested, the outcome of which are not presently determinable. The estimate of the probable costs for the resolution of these claims has been developed in consultation with external counsels handling the defense in these matters and is based upon an analysis of potential results. The ultimate disposition of these matters cannot be determined with certainty. The Group will exhaust all legal remedies available to it in defending itself in these claims and proceedings.

The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the grounds that it can be expected to prejudice the outcome of pending litigations.

Lease Commitments

Operating lease - Group as a lessor

The Group's Intramuros and Makati campuses lease spaces to Digitel, Investment Managers, Inc. (IMI) and Bell Telecommunication Philippines, Inc. The lease terms cover lease periods of between three (3) years to ten (10) years with escalation rates ranging from 3.00% to 10.00%.

The future minimum rentals receivable under the aforementioned lease agreements follow:

	2019	2018
Within one year	₱1,750,332	₱1,750,332
More than one year but not more than five years	4,005,587	4,005,587
Later than five years	1,369,753	1,369,753
	₱7,125,672	₱7,125,672

34. **Noncontrolling Interest**

Noncontrolling interest in consolidated subsidiaries represents shareholdings in subsidiaries not held by the Group.

Dividends paid to noncontrolling interest in consolidated subsidiaries amounted to ₱14.75 million, ₱16.05 million and ₱14.68 million as at March 31, 2019, 2018 and 2017, respectively.

35. **Operating Segment Information**

For management purposes, the Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Segment financial information is reported on the basis that it is used internally for evaluating segment performance and allocating resources to segments.

The Group derives its revenues from the following reportable segments:

Construction and Infrastructure - mainly consists of revenues from EEI Corporation and subsidiaries as a general contractor and trader of construction equipment and parts. The subsidiaries of EEI are mainly involved in the provision for manpower services, construction, trading of equipment, power generation, steel fabrication, real estate and others.

Property Services - represents property and project management services of the Group.

Education - primarily consists of revenues from iPeople and subsidiaries (including MCI) in education, consulting, development, installation and maintenance of information technology systems.

Car Dealership - represents automotive dealerships of the Group.

Other Services - represent support services which cannot be directly identified with any of the reportable segments mentioned above. These include sale of pharmaceutical products, trading of consumer goods and rendering various services to the consumers.

Segment assets and liabilities exclude deferred income tax assets and liabilities. Inter-segment income arise from transactions that were made on terms equivalent to those that prevail in an arms-length transactions.

Management monitors construction revenue and segment net income for the purpose of making decisions about resource allocation. Segment performance is evaluated based on net income and construction revenue.

Segment reporting is consistent in all periods presented as there are no changes in the structure of the Group's internal organization that will cause the composition of its reportable segment to change.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

House of Investments Inc and Subsidiaries
Unaudited Operating Segment
For the Quarters Ended March 31, 2019 and 2018 and December 31, 2018

	Construction and Infrastructure		Car Dealership		Education and Information Technology		Property Services		Others		Eliminations		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenues	5,619,089,236	4,332,327,699	1,842,996,875	2,130,827,952	538,752,892	470,197,047	55,088,210	51,906,386	145,542,472	152,429,207	(201,700,679)	(232,658,557)	7,999,769,006	6,906,029,734
Net Income (Loss)	326,591,088	283,728,801	(16,946,038)	17,799,395	103,851,795	106,184,077	15,090,690	15,540,695	225,054,900	192,488,511	(83,209,833)	(123,786,154)	570,432,603	491,955,324
Other Information														
Segment Assets	23,215,363,274	22,454,498,466	3,751,122,368	3,226,594,111	10,235,701,664	9,972,490,290	195,087,126	186,287,848	5,709,058,082	5,818,059,858	(2,023,038,349)	(2,056,847,490)	41,083,294,166	39,601,083,082
Segment Liabilities	15,176,404,708	14,742,554,377	2,484,152,800	1,912,599,378	3,760,553,188	3,558,929,982	141,808,487	133,099,899	1,594,988,500	1,812,104,627	(774,477,363)	(729,994,417)	22,383,430,321	21,429,293,847
Investments in Associates	2,346,758,265	2,254,714,490	-	-	-	-	5,750,000	5,750,000	4,394,132,576	4,369,132,576	(1,045,826,054)	(1,123,642,066)	5,700,814,787	5,505,955,000

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
SUPPLEMENTARY INFORMATION AND DISCLOSURES REQUIRED ON
SRC RULE 68 AS AMENDED
March 31, 2019

Philippine Securities and Exchange Commission (SEC) issued the amended Securities Regulation Code Rule SRC Rule 68 which consolidates the two separate rules and labeled in the amendment as “Part I” and “Part II”, respectively. It also prescribed the additional information and schedule requirements for issuers of securities to the public.

Below are the additional information and schedules required by SRC Rule 68, as Amended (2011), that are relevant to the Group. This information is presented for purposes of filing with the SEC and is not required part of the basic financial statements.

Schedule A. Financial Assets in Equity Securities

The Group is not required to disclose the financial assets in equity securities as the equity investments at fair value through other comprehensive income (FVOCI) amounting ₱980.07 million do not constitute 5% or more of the total current assets of the Group as at March 31, 2019.

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (other than related parties)

Below is the schedule of advances to employees of the Group with balances above ₱100,000 as of March 31, 2019:

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of period
<i>EEI Group</i>				
Macapagal, Norman K.	₱1,532,054	₱-	(₱-)	₱1,532,054
Narzoles, Laila L.	695,610	-	(25,000)	670,610
Realin, Marco Dindo H.	668,405	-	-	668,405
Nacpil, Almario R.	348,384	-	-	348,384
Martirez, Lucio F.	-	300,000	-	300,000
Puyat, Gil S.	280,002	-	-	280,002
Torres, Joel R.	326,487	-	(49,500)	276,987
Bukas, Alex P.	-	275,065	-	275,065
Dolaoco, Regner Jose M.	-	271,983	-	271,983
Tutor, Ritchel R.	271,971	-	(15,109)	256,862
Bancosta, Edsil B.	-	250,000	-	250,000
Sumastre, Elizabeth M.	237,740	-	(8,545)	229,195
De Castro, Ma. Lourdes H	-	217,968	-	217,968
Demetillo, Allan G.	-	212,662	-	212,662
De Guzman, Alvin R.	212,055	-	-	212,055
Jao, Mario A.	202,146	-	-	202,146
Serrano, Efren A.	330,650	-	(128,943)	201,707
Castillo, Noemi P.	-	201,164	-	201,164
Ander Jr., Herminio R.	200,000	-	-	200,000
Meñez, Jefferson DG.	-	200,000	-	200,000
Herrera, Gaudencio M.	191,209	-	-	191,209
Aquino, Perpetua Rita Karel	-	175,719	-	175,719
Madarang, Lito O.	173,929	-	-	173,929
Domingo, Remy R.	168,183	-	-	168,183
Jimenez, Marivic J.	-	164,157	-	164,157
Francia, Melito M.	163,504	-	-	163,504
Destacamento, Noel M.	162,119	-	-	162,119
Villanueva, Cirilo D.	159,228	-	-	159,228
Mapalad, Virgilio S.	157,459	-	-	157,459
	151,492	-	-	151,492
Forward				

Name	Balance at beginning of year	Additions	Collections/ Liquidations	Balance at end of period
Villania, Junard I.				
Buensalida, Wilfredo N.	-	151,029	-	151,029
Orillo, Raymundo P.	-	147,688	-	147,688
Tamos Jr., Eduardo C.	157,500	-	(15,000)	142,500
Delos Santos, Benjamin R.	-	142,316	-	142,316
Gapasin, Jorge Timothy T.	151,268	-	(18,000)	133,268
Rana, Ricardo H.	-	133,063	-	133,063
Rempillo, Jose R.	-	130,590	-	130,590
Lloza, Rogelio P.	-	128,004	-	128,004
Ramas, Hermesio G.	-	126,730	-	126,730
Frane, Pio F.	-	126,264	-	126,264
Sevilla, Exequiel E.	122,416	-	-	122,416
Sison, Edgardo G.	122,205	-	-	122,205
Penas, Abrilleno F.	126,120	-	(6,000)	120,120
Bayeta, Eddie S.	118,324	-	-	118,324
Izar, Juan D.	-	109,660	-	109,660
Burgos, Manuel B.	108,150	-	-	108,150
Montecalvo, Dennis S.	108,115	-	-	108,115
Espiritu, Jaime S.	107,784	-	-	107,784
Satur, Salustiano O.	106,947	-	-	106,947
Chan, Eric J.	106,597	-	-	106,597
Villanueva, Jose P.	103,915	-	-	103,915
Cuaresma, Jovito O.	-	102,886	-	102,886
Bundalian, Rolando S.	101,760	-	-	101,760
Macabenta, Danilo P.	-	100,730	-	100,730
Agtoto, Jerry O.	100,000	-	-	100,000
Padrique, Danilo N.	100,000	-	-	100,000
	₱8,373,728	₱3,667,678	(₱266,097)	₱11,775,309
<i>iPeople Group</i>				
Arenillo, Denise Jordan	₱389,198	₱-	(₱25,198)	₱364,000
Quisaot, Concordio	-	394,000	-	394,000
Manuel, Mark Christian	-	394,000	(6,567)	387,433
Macayan, Jonathan	380,867	-	(19,700)	361,167
Uy, Francis Aldrine	366,762	-	(19,825)	346,937
Teodoro, Gloria	331,500	-	(19,500)	312,000
Tiongco, Danilo R.	324,411	-	(23,172)	301,239
Caparanga, Alvin	318,500	-	(19,500)	299,000
Camacho, Margarita	311,659	-	(26,430)	285,229
Robielos, Rex Aurelius	299,600	-	(18,725)	280,875
Hofilena, Joy	298,854	-	(18,875)	279,979
Kikuchi, Khristian	298,854	-	(18,875)	279,979
Medrano, Anthony H.	295,708	-	(18,875)	276,833
Salayo, John Vincent	295,708	-	(18,875)	276,833
Austria, Maria Rhodora	287,117	-	(18,725)	268,392
Costales, Aloysius Nathaniel	259,751	-	(32,479)	227,272
Lanuza, Dionisia	238,500	-	(15,900)	222,600
Sabino, Lilibeth	234,967	-	(18,550)	216,417
Agbulos, Erlin C.	223,453	-	(22,343)	201,110
Gochioco, Geraldine	220,851	-	(19,912)	200,939
Salvacion, Jonathan	212,461	-	(18,475)	193,986
Songsong, Maribel	198,400	-	(18,600)	179,800
Adanza, Carina Victoria T.	147,829	-	(18,475)	129,354
Tablante, Dennis H.	138,233	-	(9,425)	128,808
Doma, Bonifacio T. Jr.	137,569	-	(9,488)	128,081
Francisco, Ruth C.	149,549	-	(21,492)	128,057
Sauquillo, Dante	135,988	-	(18,975)	117,013
	₱6,496,289	₱788,000	(₱496,956)	₱6,787,333

Name	Balance at beginning of year	Additions	Collections/Liquidations	Balance at end of period
<i>HI-Parent</i>				
Monserate, Lalaine Pena	₱421,310	18,232	(28,999)	410,543
Medina, Maricar M.	395,989	—	(28,999)	366,990
Estrella, Joselito D.	331,554	368	(25,855)	306,067
Fabi, Sharon O.	297,423	4,314	(20,647)	281,090
Rafael, Victor. V	280,808	—	(20,647)	260,160
Bautista, Maria Teresa	250,044	30,555	(32,814)	247,785
Panelo, Danilo P	263,173	7,936	(25,905)	245,205
Cacho, Chona B.	234,110	10,632	(25,929)	218,814
Nuguid, Marissa P.	230,614	3,393	(20,647)	213,360
De Lara, Ma. Elisa	221,617	4,075	(30,512)	195,181
Apsay, Christopher C.	110,974	12,962	(22,487)	101,449
	₱3,037,616	₱92,467	(₱283,441)	₱2,846,644
Total	₱17,907,633	₱4,548,145	(₱1,046,494)	₱21,409,286

iPeople and HI-Parent's advances mainly pertain to the officers and employees car plan agreements. Such advances are interest-bearing and are liquidated on a monthly basis.

There were no amounts written off during the year. All receivables are expected to be collected within the next twelve months.

Schedule C. Amounts Receivable from/Payable to Related Parties which are eliminated during the Consolidation of Financial Statements

Below is the schedule of receivables (payables) with subsidiaries, which are eliminated in the consolidated financial statements as at March 31, 2019:

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written off	Balance at end of period
<i>Landev Corporation</i>					
Due from affiliates	₱217,396	₱448,493	(₱421,441)	₱—	₱244,448
Dividends receivable	23,000,097	15,000,000	(14,999,975)	—	23,000,122
	23,217,493	15,448,493	(15,421,416)	—	23,244,570
<i>Greyhounds Security and Investigation Agency Corporation</i>					
Due from affiliates	48,459	1,019,113	(278,498)	—	789,074
<i>Investment Managers, Inc.</i>					
Due from affiliates	831,974	1,525,963	(1,944,523)	—	413,414
Dividends receivable	—	—	—	—	—
	831,974	6,083,503	(1,944,523)	—	831,974
<i>iPeople, inc. and subsidiaries</i>					
Due from affiliates	9,072,771	18,605,664	(19,649,925)	—	8,028,510
Dividends receivable	42,366,445	30,116,445	(30,116,445)	—	42,366,445
	51,647,992	1,264,039,912	(1,263,831,136)	—	51,647,992
<i>EEI Corporation and subsidiaries</i>					
Due from affiliates	2,561,012	1,096,285	(2,325,466)	—	1,331,831
<i>Zamboanga Industrial Finance Corporation</i>					
Dividends receivable	—	1,300,000	—	—	1,300,000
<i>Zamboom Realty and Development Corp</i>					
Due from affiliates	532	700	—	—	1,232
<i>Zamboanga Carrier Inc</i>					
Due from affiliates	1,803	400	—	—	2,203
<i>Xamdu Motors, Inc.</i>					
Due from affiliates	100	50	—	—	150
	₱78,100,590	₱67,813,112	(₱69,736,272)	—	₱76,186,429

These receivables are non-interest bearing and are expected to be settled within the next twelve months.

Schedule D. Intangible Asset - Other Noncurrent Assets

As at March 31, 2019, the Group's intangible assets consist of goodwill and computer software. Goodwill in the Group's consolidated statements of financial position arose from the acquisition of EEI, iPeople, and Honda Cars Group. Details of the Group's intangible assets are as follows:

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
Goodwill	₱471,357,459	₱-	₱-	₱-	₱-	₱471,357,459
Computer Software	14,298,226	1,312,688	(1,605,076)	-	-	14,005,838
	₱485,655,685	₱1,312,688	(1,605,076)	₱-	₱-	₱485,363,297

Schedule E. Long-term Debt

Below is the schedule of long-term debt of the Group:

Type of Obligation	Amount	Current	Noncurrent
Parent Company			
Peso-denominated five (5) year term loan, payable quarterly starting March 2016 with interest of 5.11% per annum	175,000,000	100,000,000	75,000,000
EEI			
Fixed-rate corporate promissory notes with effective interest of 5.1875% on first draw down, 5.1667% on second draw down and 4.8% on subsequent draw downs as of May 2015 per annum for seven (7) years.	2,107,142,857	880,952,381	1,226,190,476
EEI Power			
Peso-denominated seven (7) year term loan, payable quarterly starting June 2014 with interest of 6.50% per annum inclusive of two (2) year grace period on principal amortization	250,000,000	71,428,571	178,571,429
	₱2,532,142,857	₱1,052,380,952	₱2,057,183,121

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)

As at March 31, 2019, the Group has no long-term loans from its related parties.

Schedule G. Guarantees of Securities of Other Issuers

There are no guarantees of securities of other issuing entities by the Group as at March 31, 2019.

Schedule H. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares held by related parties	Directors, Officers and Employees	Others
Common shares	1,250,000,000	615,996,114	294,759,570	2,695,400	318,541,144
Preferred shares	2,500,000,000	618,535,387	232,024,666	—	386,510,721

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
FOR THE QUARTER ENDED MARCH 31, 2019

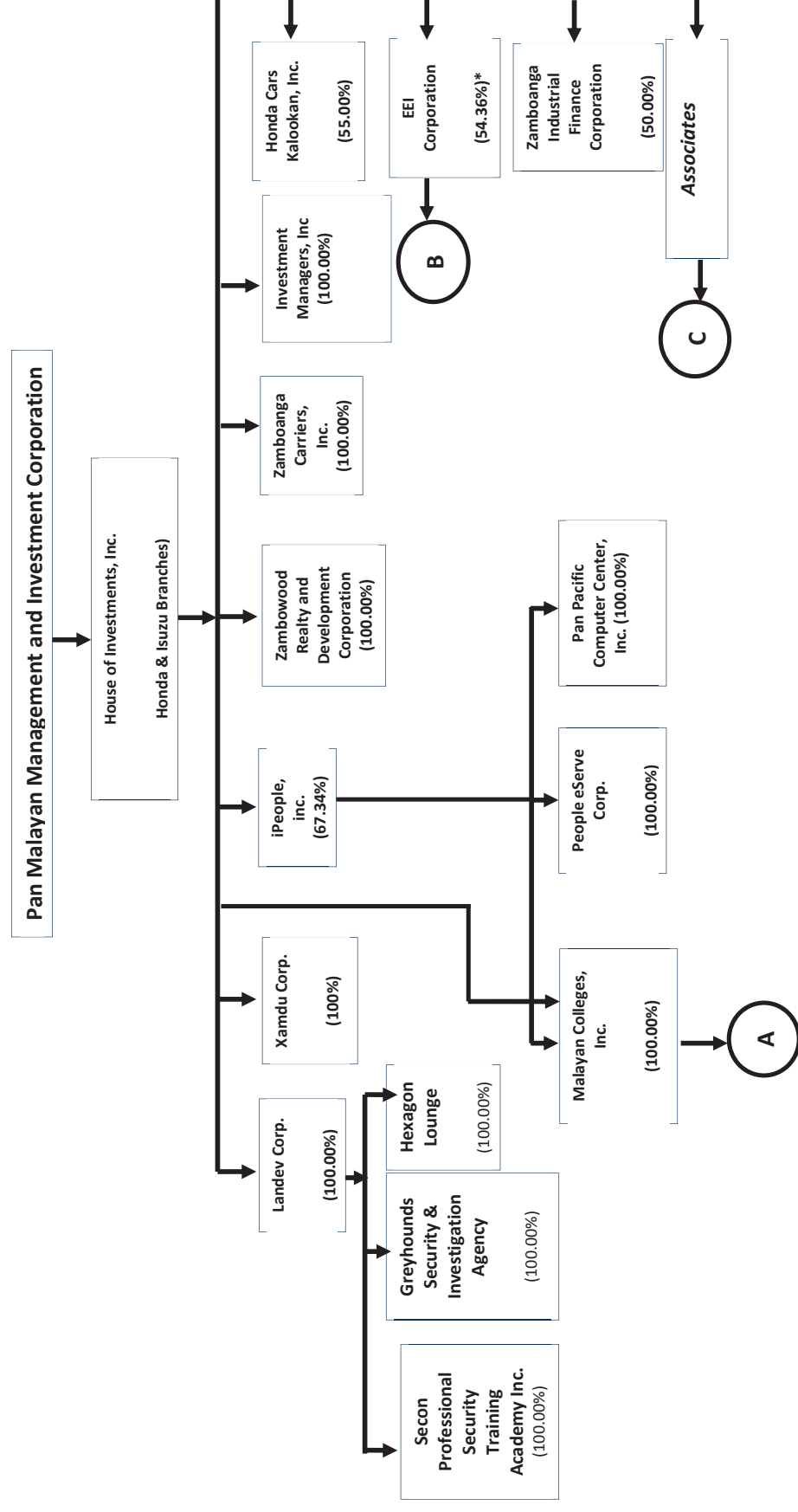
Unappropriated retained earnings, beginning	₱2,914,976,850
Less: Deferred tax asset	-
Treasury shares	(2,607,600)
Add: Impact of PFRS 16 adoption	(30,079,126)
Unappropriated retained earnings, as adjusted to amount available for dividend declaration, beginning	2,882,290,124
Appropriation	(2,100,000,000)
Net income during the year closed to retained earnings	67,177,623
Less movement in deferred tax asset that increased net income	-
Net income actually earned during the period	67,177,623
Dividend declared	-
UNAPPROPRIATED RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, ENDING	₱849,467,747

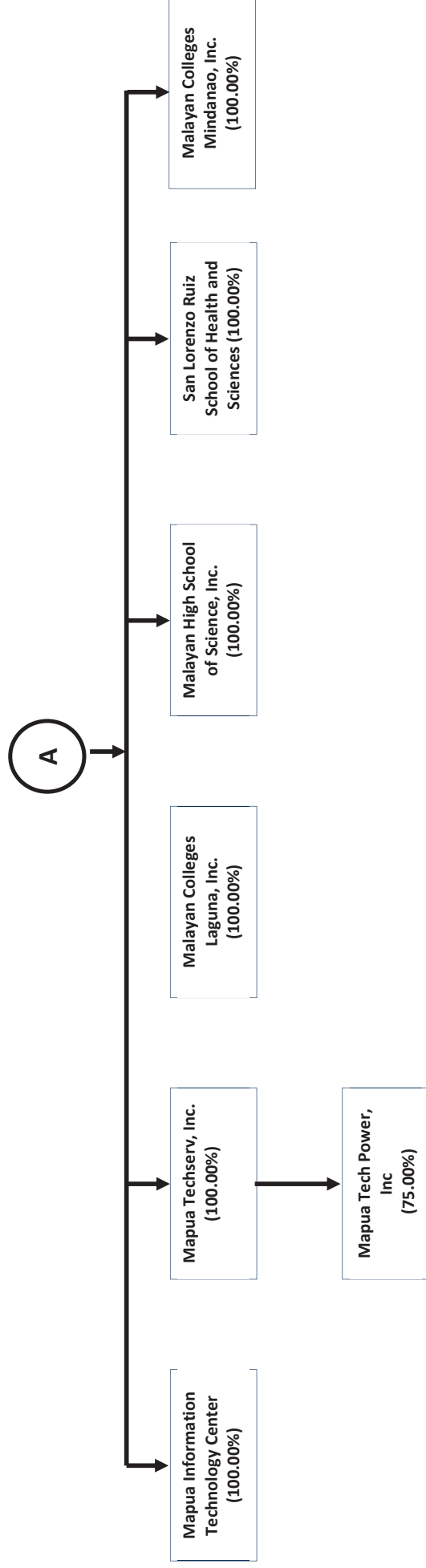
HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

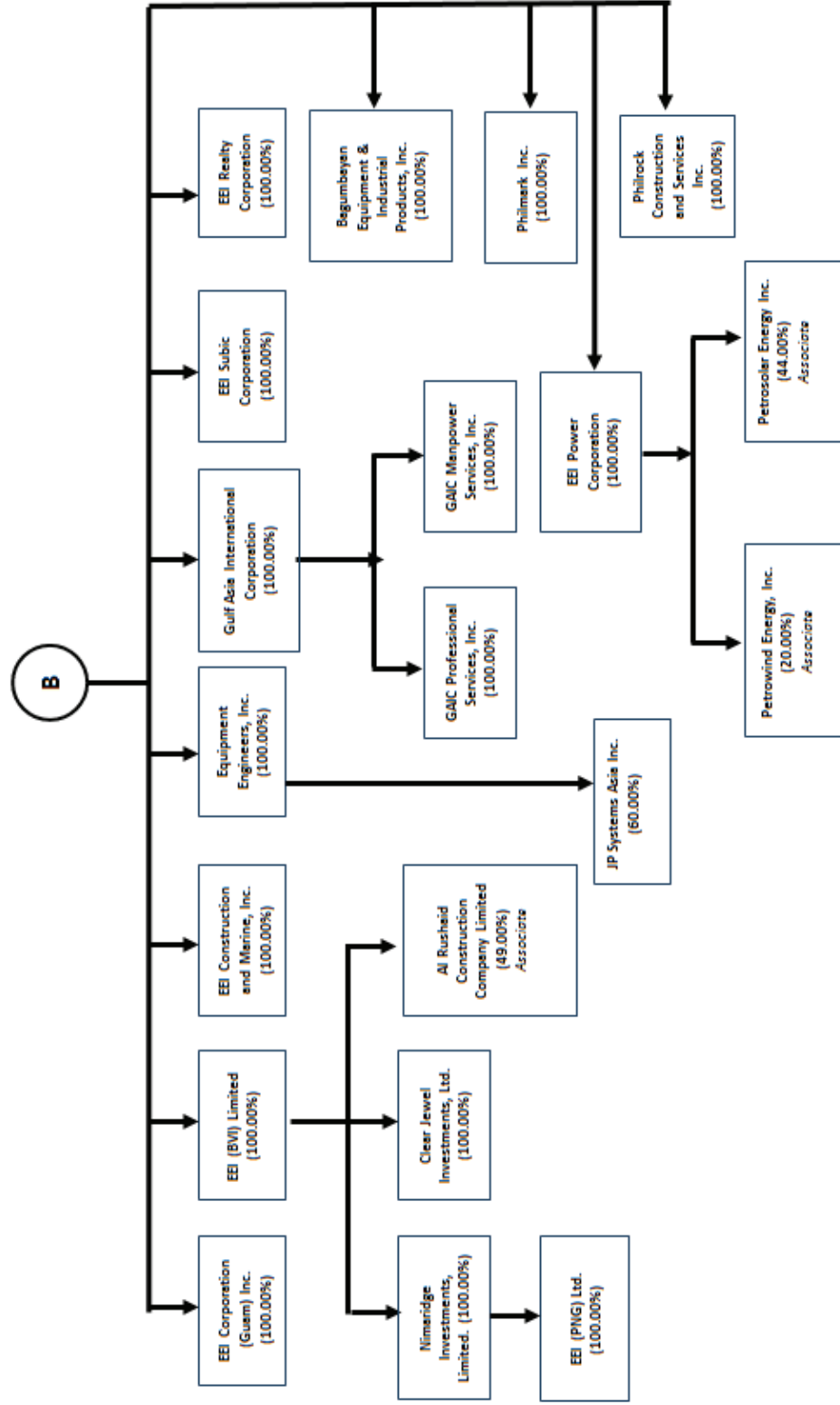
MAP OF RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

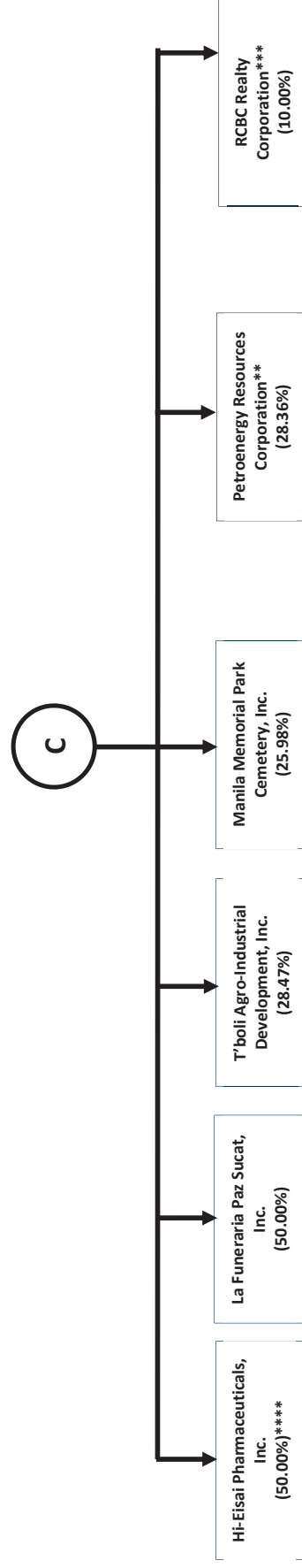
Group Structure

Below is a map showing the relationship between and among the Group and its ultimate parent company, subsidiaries, and associates as of March 31, 2019:









* In 2015, the Group purchased additional 41.9 million shares resulting to an increased ownership interest from 50.32% to 54.36%.

** On February 21, 2013, significant influence was obtained through piecemeal acquisition. In 2014, the Group purchased additional 6.6 million shares of PERC increased ownership interest from 20.00% to 22.41%. In February 2, 2018, the company purchased additional 69,285,418 shares amounting to P332.6M from stock rights offering, which increased ownership to 28.36%.

*** On September 17, 2013, the Group acquired 10.00% ownership in RRC. The Group was able to exercise significant influence since it has the capacity to participate in the financial and operating decisions of RRC through common key management and representation to the Board of Directors.

**** On March 1, 2019, the Parent Company purchased additional 90,000 LFPSI for P25.0 million resulting to an increase in ownership interest from 37.50% to 50.0%.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES

SCHEDULE OF ALL THE EFFECTIVE STANDARDS AND INTERPRETATIONS UNDER PFRS AS OF MARCH 31, 2018

Below is the list of all effective PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations of International Financial Reporting Interpretations Committee (IFRIC) as of March 31, 2019:

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1	First-time Adoption of Philippine Financial Reporting Standards	✓		
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2, Classification and Measurement of Share-based Payment Transactions	✓		
PFRS 3	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
PFRS 8	Operating Segments	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements	✓		
PFRS 11	Joint Arrangements	✓		
PFRS 12	Disclosure of Interests in Other Entities	✓		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	✓		
Philippine Accounting Standards				
PAS 1	Presentation of Financial Statements	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 19	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
PAS 23	Borrowing Costs	✓		
PAS 24	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Separate Financial Statements			✓
PAS 28	Investments in Associates and Joint Ventures	✓		
	Amendments to PAS 28, Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40, Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
Philippine Interpretations				
Philippine Interpretation	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
IFRIC-1				
Philippine Interpretation IFRIC-2	Members' Shares in Co-operative Entities and Similar Instruments			✓
Philippine Interpretation IFRIC-4	Determining whether an Arrangement contains a Lease			✓
Philippine Interpretation IFRIC-5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
Philippine Interpretation IFRIC-6	Liabilities arising from Participating in a Specific Market-Waste Electrical and Electronic Equipment			✓
Philippine Interpretation IFRIC-7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
Philippine Interpretation IFRIC-10	Interim Financial Reporting and Impairment			✓
Philippine Interpretation IFRIC-12	Service Concession Arrangements			✓
Philippine Interpretation IFRIC-14	PAS 19-The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
Philippine Interpretation IFRIC-16	Hedges of a Net Investment in a Foreign Operation			✓
Philippine Interpretation IFRIC-17	Distributions of Non-cash Assets to Owners			✓
Philippine Interpretation IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments			✓
Philippine Interpretation IFRIC-20	Stripping Costs in the Production Phase of a Surface Mine			✓
Philippine Interpretation IFRIC-21	Levies			✓
Philippine Interpretation IFRIC-22	Foreign Currency Transactions and Advance Consideration	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of March 31, 2019		Adopted	Not Adopted	Not Applicable
Philippine Interpretation SIC-7	Introduction of the Euro			✓
Philippine Interpretation SIC-10	Government Assistance-No Specific Relation to Operating Activities			✓
Philippine Interpretation SIC-15	Operating Leases-Incentives	✓		
Philippine Interpretation SIC-25	Income Taxes-Changes in the Tax Status of an Entity or its Shareholders			✓
Philippine Interpretation SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
Philippine Interpretation SIC-29	Service Concession Arrangements: Disclosures			✓
Philippine Interpretation SIC-32	Intangible Assets-Web Site Costs			✓

Standards tagged as “Not applicable” have been adopted by the Group but have no significant covered transactions.

Standards tagged as “Not adopted” are standards issued but not yet effective as of March 31, 2019. The Group will adopt the Standards and Interpretations when these become effective.

HOUSE OF INVESTMENTS, INC. AND SUBSIDIARIES**AGING OF ACCOUNTS RECEIVABLE****FOR THE QUARTER ENDED MARCH 31, 2019**

	TOTAL	No. of days due		
		0-30	31-60	Over 61 days
Construction	₱4,069,741,841	₱2,322,529,000	₱ 1,007,087,000	₱740,125,841
Car Dealership	631,521,531	439,160,510	99,433,779	92,927,243
Education and Information				
Technology	279,143,515	228,014,356	10,314,664	40,814,495
Parent and Others	816,668,533	480,648,836	165,539,142	170,480,556
Total	5,797,075,420	3,470,352,702	1,282,374,585	1,044,348,135
Less: Allowance for doubtful accounts	(217,546,901)	—	—	(217,546,901)
	₱5,579,528,519	₱3,470,352,702	₱1,282,374,585	₱826,801,234

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereto duly authorized, in the City of Makati on May 17, 2019.

IN WITNESS WHEREOF, we have hereunto affixed our signatures and the seal of the Corporation this 17th day of May, 2019 at Makati City.

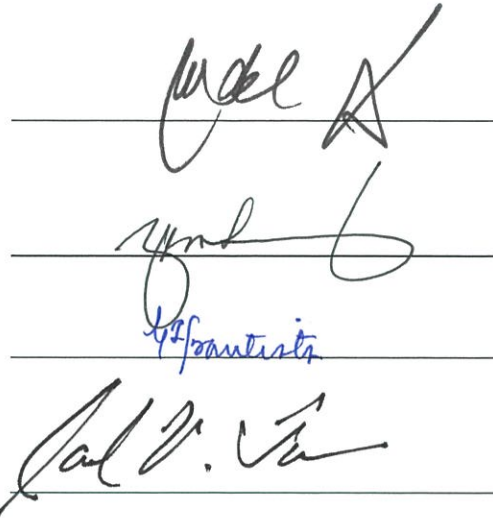
By:

Medel T. Nera
President & CEO

Gema O. Cheng
EVP- COO, CFO & Treasurer

Maria Teresa T. Bautista
VP –Controller

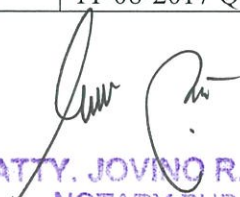
Atty. Samuel V. Torres
Corporate Secretary



SUBSCRIBED AND SWORN to before me this **MAY 17 2019** day of May, 2019, at _____, Affiant exhibited to me their Residence Certificate Numbers indicated below each name.

Names	Document No.	Date & Place of Issue/Expiration
Medel T. Nera	P1271862A	12-19-2016 Manila / 12-18-2021
Gema O. Cheng	DL#N06-84-036923	12-14-2017 Mandaluyong / 12-08-2022
Maria Teresa T. Bautista	DL#6-92-094899	11-23-2017 Makati / 11-23-2022
Atty. Samuel V. Torres	DL#13-83-001463	11-08-2017 QC / 11-10-2022

Doc. No. 59;
Page No. 1;
Book No. ✓;
Series of 2019



ATTY. JOVINO R. ANGEL
NOTARY PUBLIC
UNTIL DEC. 31, 2020
PTR NO. 6397931 PASAY CITY
IBP NO. 058411 PASAY CITY
ISSUED ON 1/3/2019
ROLL NO. 28761 PASAY CITY
MCLE COMPLIANCE NO. V-0024151/10/25/2010